

April, 1953 • 35c

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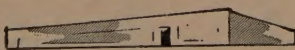
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 GO BY AIR

statistics of . . .

Chicago Business

	Feb. 1953	Jan. 1953	Feb. 1952
Building permits _____	1,014	424	48
Cost _____ \$	14,832,800	\$ 12,237,100	\$ 7,947,000
Contracts awarded on building projects, Cook County _____	1,490	998	80
Cost _____ \$	28,785,000	\$ 28,640,000	\$ 30,112,000
(F. W. Dodge Corp.)			
Real estate transfers _____	5,164	5,240	4,89
Consideration _____ \$	3,607,194	\$ 3,964,139	\$ 3,530,66
Department store sales index _____	82.0	82.0	82
(Federal Reserve Board)			
(Daily average 1947-49=100)			
Bank clearings _____ \$	3,491,590,606	\$ 4,027,155,205	\$ 3,421,399,88
Bank debits to individual accounts:			
7th Federal Reserve District _____	\$19,536,712,000	\$22,138,451,000	\$18,629,903,00
Chicago only _____	\$ 9,492,579,000	\$11,030,535,000	\$ 9,326,513,00
(Federal Reserve Board)			
Midwest Stock Exchange transactions:			
Number of shares traded _____	1,259,290	1,576,686	1,181,00
Market value of shares traded _____ \$	39,616,217	\$ 46,543,164	\$ 41,201,40
Railway express shipments, Chicago area _____	1,017,760	1,028,537	1,086,74
Air express shipments, Chicago area _____	59,332	65,280	56,05
L.C.L. merchandise cars _____	17,648	17,659	18,54
Electric power production, kwh. _____	1,275,521,000	1,419,542,000	1,220,594,00
Industrial gas sales, therms _____	15,576,174	15,435,801	12,942,88
Revenue passengers carried by Chicago Transit Authority lines:			
Surface division _____	39,918,460	42,462,589	44,096,66
Rapid transit division _____	10,948,387	11,671,357	12,957,22
Boulevard system _____	5,843,950	6,400,442	6,708,93
Postal receipts _____ \$	10,040,115	\$ 10,225,905	\$ 9,904,25
Air passengers:			
Arrivals _____	212,076	219,164	162,35
Departures _____	222,834	228,679	172,97
Consumers' Price Index (1935-39=100) _____	113.9	114.2	112
Receipts of salable livestock _____	399,464	563,767	448,47
Families on relief rolls:			
Cook County _____	17,619	18,226	20,65
Other Illinois counties _____	13,069	13,175	14,79

*Preliminary figure.

May, 1953, Tax Calendar

Date Due	Tax	Returnable to
1	Renew city business licenses which expired April 30, 1953	City Collector
1	First installment of 1952 Real Estate Taxes becomes delinquent and subject to 1% per month penalty thereafter	County Collector
1	Personal Property Tax for 1952 becomes delinquent and subject to 1% per month penalty thereafter	County Collector
15	If total O.A.B. taxes (employer and employee) plus income tax withheld in previous month exceeds \$100, pay amount to	Authorized Depositor
15	Illinois Retailers' Occupation Tax return and payment for month of April	Director of Revenue (Ill.)
31	Federal Excise Tax return and payment due for April, 1953	Director of Internal Revenue

COMMERCE

Magazine

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April, 1953

Volume 50

Number 3

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Alan Sturdy, Editor • Gordon Rice, Advertising Manager • Lewis A. Riley, Associate Editor

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in this

issue...

Most Americans are familiar with the work that many U. S. cities are doing to eradicate slums. Chicago has its "decayed areas" and this city is busily cleaning up its eye sores. At the same time, Chicago is gaining national attention for its outstanding campaign to prevent "good" areas from slipping into deterioration. Betty Savesky, who reports on this civic work (p. 12), finds that about half the residents of the city now live in areas that are in danger of deterioration. Now, however, there is a good chance that Chicago can maintain its "good" neighborhoods because it is fighting slums *before* they develop.

• • •

Mention air conditioning to any furnace maker, home builder or major appliance distributor, and you will be in for an extensive discussion of the air conditioning boom-in-the making. There are heating and cooling experts who believe the trend to year-round air conditioning will be comparable to the growth of television. The progress and aspirations of the home air conditioning industry are reviewed by L. P. Sanderson beginning on page 16.

• • •

Although Dwight Eisenhower has been a White House resident for over three months, the new administration has not yet indicated its position on many matters of interest to business. Washington Correspondent Jack Robins reports (p. 15) that many important issues will not be settled until the president irons out one big problem: the budget. His article reviews the difficulties that the administration is encountering in arriving at its policy-making budget decisions.

• • •

Economist Sumner Slichter, whose observations on the business climate are familiar to COMMERCE readers, again scans the economic horizon in an article beginning on page 20. Phil Hirsch reviews (p. 23) the red hot "battle of the fibers" — the new synthetics v. "King Wool," and a report on zirconium, the metal that made possible the atomic submarine, begins on page 18.



America's New Railroad

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It goes on day after day on the Santa Fe. Building new.

Till there's nothing left that's *old* today of the Atchison, Topeka and Santa Fe but the country and the song and the pride of its people!

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IN THIS YEAR... New micro-wave communication system put in service between Galveston and Beau-

mont, Texas... New freight classification yard will be opened at Belen, New Mexico.

AND IN THE NEXT YEAR... More curves will be clipped, more grades reduced... 119 new diesel units will go to work... New modern diesel shops will be completed... 3600 new freight cars will be placed in service... New electronic communication and control equipment will be installed... and El Capitan will be re-equipped with all new chair cars!

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The Editor's Page

The Market Upheaval That Didn't Happen

During the prolonged discussion of Secretary of Defense Wilson's controversial ownership of some 40,000 shares of General Motors stock, there was some frightening speculation by those who somehow felt that if Mr. Wilson were suddenly to pour nearly \$2.7 million worth of stocks on the market, rather violent disruptions would follow. Fortunately, such fears were groundless, and it is surprising that they were given the benefit of press publicity in the first place. For one thing, the secretary's stock holdings amounted to less than one-twentieth of one per cent of G.M. common stock outstanding, of which some 2½ million shares were bought and sold in 1952 with no apparent "glutting" of the market.

Certainly the day when one man or even a small group of men could dominate big business in America through their ownership of securities is as much history as the horse and buggy. Whereas the number of Americans who owned stocks could once be numbered in the thousands, the figure today runs far into the millions—and today, moreover, shareowners in America's free enterprise system are largely average people with average incomes earned in average jobs. As the total of individual shareholders has increased, the average number of shares owned by individuals has diminished. If anything, Mr. Wilson's unspectacular disposal of his investments in the General Motors Corporation is one more evidence that the more people who own stocks in this country, the stronger this nation becomes!

What Helps Business Helps

Perhaps the most fascinating new member of America's vast body of self-employed entrepreneurs is the baby-sitter, who has certainly received an ample share of publicity in recent months. Just why the baby sitter has risen so fast in economic importance seems to revolve around the age-old law of supply and demand. More and more babies — and fewer and fewer people to look after them, particularly on Saturday nights. What we have been leading up to here is an arresting new consumer service recently adopted by the Olympia, Wash., Chamber of Commerce, which apparently got to thinking that perhaps the baby-sitter problem could be turned to real advantage by the city's merchants. Well, it has, and here's the way the program works.

Olympia merchants now distribute courtesy cards to female shoppers which entitle them to special rates from a baby sitting service. The rates are 10 cents per

hour per child for the first three hours, and 20 cents an hour after three hours. Idea went over just dandy, it seems. Although the merchants are obliged to pay the difference between the cut rates and the regular rates (there's simply no bargaining with a baby sitter!), reports from Olympia are that the baby sitter plan has brought in so much new business for the city's stores that costs of the program are considered trivial.

The Global Layette Program

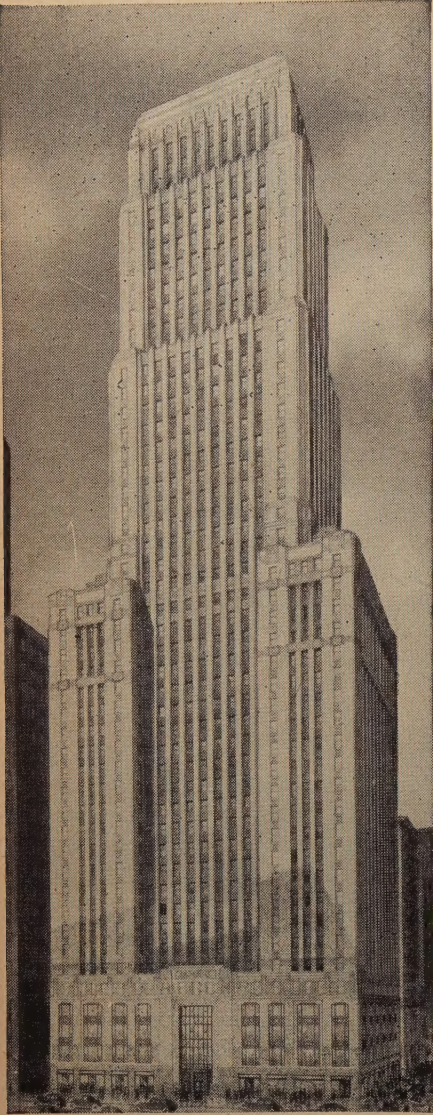
Speaking of babies, Mr. W. L. McGrath, president of Cincinnati's Williamson Heater Company, has been concerning himself with the same subject lately, but from a somewhat different viewpoint, and what he has to say about it deserves the attention of every American. Mr. McGrath, who has been a member of the U. S. employer delegation to the International Labor Organization in Geneva for the past four years, recently reported to a Senate Judiciary subcommittee on one interesting matter that occupied the attention of the 66-member-nation ILO for many hours.

This was a "maternity protection" convention which, among other things would require that in member nations employed women must be given at least 12 weeks off to have a baby, must receive free medical care, must receive from the government two-thirds of her salary while absent from her job, and must be given time off during working hours after she returns to the job if she has to nurse her baby. One entire morning during the discussion of this convention, Mr. McGrath reports, was devoted to a solemn debate on whether governments should be required also to furnish layettes, and, if so, of precisely what nature!

The point that Mr. McGrath would like to get across to the American people is the fact that this was anything but idle dream talk of enthusiastic world planners. Under our Constitution, he points out, this remarkable convention could be as binding as the Bill of Rights, if the Senate ratified it. Thenceforth, an ILO convention becomes a treaty, and a treaty is the supreme law of the land, higher than any passed by Congress or the states. Mr. McGrath, needless to say, believes this is one ILO convention that should be dumped in a hurry!

Alan Study

Here...There... and Everywhere



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• **Taste Obsoleted?**—A food industry expert of the Minneapolis-Honeywell Regulator Company predicts that by 1963 scientific techniques in food processing will have "made obsolete the art of judging food in process by the human senses of taste, feel, sight and smell." Robot-like control devices and "electronic cooking" techniques, he declares, "will make available year-round a greater variety of foods with higher nutritive values for the same food dollar."

• **Trailer Sales Up**—Sales of trailer coach mobile homes passed the \$300 million mark in 1952, according to the Trailer Coach Manufacturers Association, which reports that retail sales totaled an all-time high of \$320 million during the year, an increase of more than 28 per cent over 1951. Meanwhile, unit sales of 83,054 "mobile homes" were up almost 25 per cent during the year, compared with the 1951 level of 67,335 units.

• **Tax Processing Costs**—It takes the federal government just 1/70th of a second to compute the tax on the short income tax form 1040-A, reports Commerce Clearing House of Chicago. Also, Uncle Sam pays all the expenses for the collection of a dollar in income tax for an average of 42/100ths of a cent! The speedy computation is accomplished, CCH says, by feeding the figures from reports of citizens earning less than \$5,000 a year into electronic machines which figure the government's take in less time than you can say, "I'm broke!"

• **You Take The Wheel!**—Transportation history was made recently when the first uncrated load of household goods ever to be shipped from Anchorage, Alaska, to southwestern Ohio rolled into Cincinnati in a big drop-frame Trailmobile trailer

van, powered by a Diesel-motored tractor. The driver and his helper pushed the tractor-trailer rig over the 4,500-route without a mishap in eight long days, averaging 553 miles a day.

• **Street Directory**—A new Chicago directory listing more than one million families and businesses, in the order of their street addresses, will be published this summer by the Reuben H. Donnelley Corp., the world's biggest publishers of phone books. Families and business houses will be listed by street address, starting with the lowest number on the street and running toward the city limits. The volume will not be available for purchase, but will be leased by business firms on an annual basis.

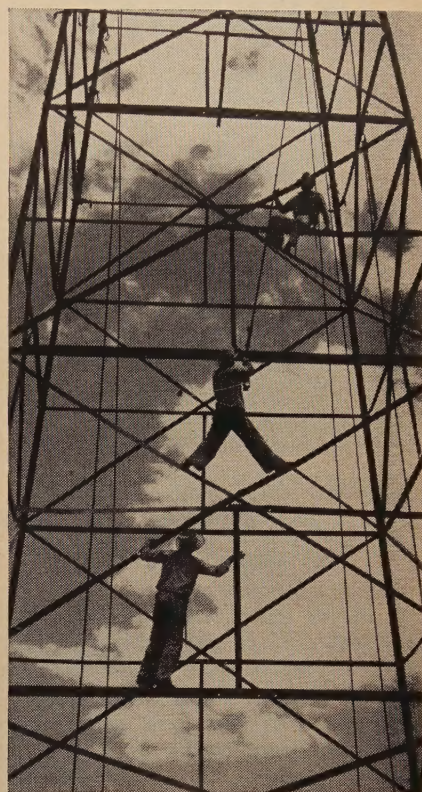
• **Pipelines Expand**—The nation's network of natural gas pipelines has extended into 290 new counties in 35 states within the past three years, according to the Gas Appliance Manufacturers Association. Several of the states previously had no gas supply for house heating, cooking, or water heating.

• **Yipe, Another Mosler!**—The Mosler Safe Company is tickled pink over a note recently left atop one of their unopened safes in a Montgomery Ward store in San Bernardino, Calif. Presumably written by a frustrated safecracker, the 500-word note declared abjectly, "For give me for making such an atrocious mess, I know when I'm licked." It added that the safe defied him despite "one of the most thorough attempts at safecracking in the history of the profession."

• **More Suggestions**—The second highest record in the 42-year-old history of Westinghouse Electric Corporation's employee suggestion system

(Continued on page 39)

Only STEEL can do so many jobs so well

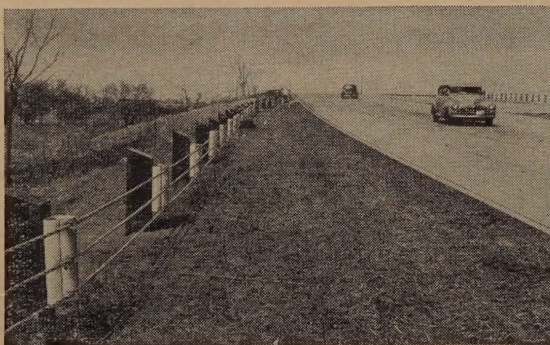


Stainless steel walls mark the handsome skyscrapers of Pittsburgh's Gateway Center. Panels are made of corrosion-resistant Stainless Steel, backed up with lightweight concrete reinforced with welded wire fabric. These are attached to the building frame quickly and easily. Multi-story building walls go up with astonishing speed—in this project, at better than a floor-a-day rate. And because these wall panels weigh less, the weight of supporting structural members is also reduced, resulting in lower building costs.

They work high to dig deep. Steel derricks like this symbolize one of America's most vital defense treasures . . . oil. To help bring up the "black gold" from its ancient, miles-deep resting places, U. S. Steel makes drilling rigs, steel drill pipe, casing and tubing, cement, pumps, wire lines, and tough alloy steels for the drilling bits that can bite through the hardest rock.

Photo—Standard Oil Co. (N. J.)

What price tin? If tin cans were made entirely of tin, they'd be far more costly. But 99% of a tin can is *steel*...and millions of cans a year can be made at prices we all can afford. For steel in semi-finished form costs only about *one fortieth* as much as tin per pound.



Taking no chances is a good rule to follow on modern highways. Drive carefully—the life you save may be your own. This U·S·S American Multisafety Cable Guard saves many lives, too. Over 140 proving ground impact tests, using cars of all types, have demonstrated that this type of highway guard provides greater protection at high speeds.



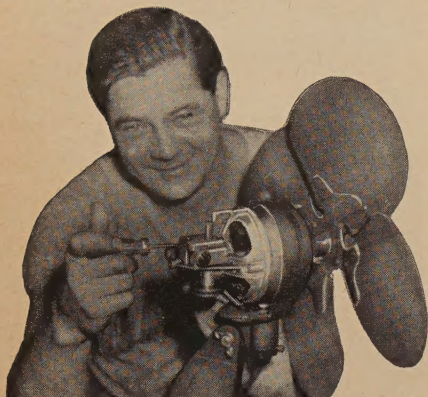
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Trends . . . in Finance and Business



• **Future Capital Outlays** — American industry will have to invest by 1960 about \$200 billion, or nearly as much as was invested in the last 30 years, if it is to achieve adequate output to maintain our high standard of living. So declares Dean E. Carson, business research director of the B. F. Goodrich Company. Goodrich studies, he explains, indicate that the total U. S. population by 1960 will be 174 million, an increase of about 15 per cent from 1950, and most of this increase will be in the "consuming" group rather than in the "producing" group.

Thus, says Mr. Carson, those at work will be faced with the task of supporting a much larger number of people than in any previous period in our history. There will be two significant results of this trend: Except in periods of adjustment, the demand for labor should be so great that all those who are able and willing to work should have little difficulty in finding jobs. Furthermore, to accomplish the needed output with the working force available, industry will have to spend \$200 billion on new plants and equipment — as compared with the \$71 billion thus spent in the 'twenties and the \$110 billion invested in the 'forties.

• **Union Shop Clauses** — Over a third of 602 post-Korea union contracts covering three million workers provide for a union shop, according to a survey by the National Industrial Conference Board. Of the contracts surveyed by the board 526 were with manufacturing firms and 76 with nonmanufacturing firms. The analysis consists of 277 AFL, 219 CIO and 106 independent union contracts.

The NICB survey revealed that 207, or about one third of 602 contracts analyzed, provide for the

union shop. The next most frequent contract provision is maintenance of membership which was provided for in 121 contracts. Also noticeable in recent contracts, according to the board, is the rise in the number of "modified union shop" clauses, which appear in approximately one out of nine of the contracts studied. Meanwhile, the banned closed shop, which covered one third of all unionized workers before the Taft-Hartley Act, does not appear as such in any of the contracts analyzed. The survey also found that the checkoff was called for in 435, or about 72 per cent of the 602 post-Korea contracts.

• **Global Production** — World industrial production in 1951 was more than twice as great as in 1929, more than three times as great as in 1932 and about 75 per cent higher than in the prewar peak year of 1937, according to index numbers published in the 1952 issue of the United Nations "Statistical Yearbook." The index of world industrial production (mining and manufacturing) computed by the UN statistical office averaged 133 in 1951 (1948 equals 100) against 64 in 1929, 43 in 1932 and 76 in 1937.

Between 1929 and 1937, according to the yearbook, the increase in world industrial activity was mainly attributable to Europe and the U.S.S.R., the United States' index for 1937 being only slightly above the 1929 level. Between 1937 and 1948, however, a rise of nearly 70 per cent in this country was the major factor in the increase in world industrial production over the period, since the European index was about nine per cent lower in 1948 than in 1937.

Between 1948 and 1951, industrial production in Europe rose 45 per cent — by 50 per cent in the first quarter of 1952 — and in the U.S.S.R. by 70 per cent, while U. S. industrial

production advanced another 15 per cent over the high level reached in 1948. Compared with 1929, industrial production in 1951 was higher by 108 per cent in the world as a whole, by 58 per cent in the world outside the United States and Russia, by 63 per cent in Europe, by over 100 per cent in the United States, and about 10 times greater in the U.S.S.R.

• **Mortgage Volume Soars** — Mortgage lending in the first two months of this year in Cook and Milwaukee counties indicates that the volume of lending this year could surpass the record year of 1950 for small homes, the Federal Home Loan Bank of Chicago reports. A bank analysis of mortgages of \$20,000 or less recorded in the two counties with the largest lending activity in the seventh district of the Federal Home Loan Bank System shows the volume of home lending by all lenders to be running 4.3 per cent higher the first two months of 1953 than in 1950.

Cook County, according to the bank, is running 37.5 per cent higher in volume and 8.6 per cent higher in number of small home mortgages than in the first two months of 1950. Even more striking is the picture for insured savings and loan associations in Cook county. The associates made 34.3 per cent more mortgages, loaned 72.9 per cent more money and increased their percentage of the total loaned in the county from 41.1 to 54.6 per cent in the first two months of 1953 as compared with the same period in the record year of 1950.

• **Employment Hurdles** — Employees' retirement pension plans and other fringe benefits developed in the past 30 years are the biggest barriers to the older job-seeker in his search for work today, reports the Northwestern National Life Insurance Company on the basis of a survey of public and private employment agencies in 46 cities. While the survey indicated an improvement in placement of older workers during the past year, it also disclosed that many employment agencies are encountering real difficulties with pension program and other employee benefits.

"Plain arithmetic is the main reason for this," the survey report declares, adding, "With retirement pensions beginning usually at 65, it

takes four times as large a contribution per year by both employer and employe to build the same size pension fund if the employe starts with a firm at age 50 as is necessary if he starts at age 25. Insurance losses are much heavier on older people, so costs go up unless average age levels are held down."

Although some firms let older applicants waive pensions and other privileges, the survey report continues, such firms often encounter considerable dissatisfaction when those employees reach retirement age and cannot claim the same benefits

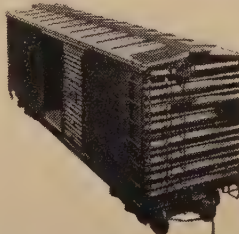
they see their fellows enjoying. The result: "Most firms having such programs — which means most of the big concerns — simply refuse to hire older applicants."

• **Car Buyer Ratios** — There have been some striking changes in the ratio of used car buyers to new car buyers, according to William F. Hufstader, vice president in charge of the distribution staff of General Motors Corp. He says that prior to the war the new car-used car relationship was about one-third new and two-thirds

(Continued on page 39)

Standard

RAILWAY EQUIPMENT MANUFACTURING COMPANY



HIGHLIGHTS OF 1952

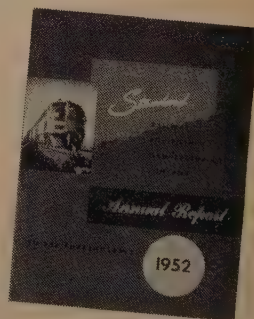
	1952	1951	1950	1949
Sales.....	\$22,910,570	\$35,162,452	\$19,447,461	\$17,293,914
Net Income.....	2,081,474	3,203,507	2,609,420	2,305,853
Income Per Share.....	1.50	2.31	1.88	1.67
Current Assets.....	12,449,063	16,153,093	13,782,634	11,054,517
Current Liabilities.....	4,177,753	6,218,778	3,322,084	861,211
Working Capital.....	8,271,310	9,934,315	10,460,550	10,193,306
Prop., Plant & Equipmt....	5,370,220	3,326,076	2,005,680	1,983,499

"The dominant factor in the curtailment of our volume of sales in 1952 was the prolonged strike in the steel industry. . . . Far fewer cars were built during the year than had been scheduled when 1952 began

"The volume of orders on hand (\$15,000,000) and the needs and desires of the railroads for substantial additions to their freight-car resources, afford reason to be encouraged about the prospects ahead."

from the 1952 Annual Report,
Standard Railway Equipment Manufacturing Co.

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Chicago Fights Slums Before They Develop

By **BETTY SAVESKY**

The fascinating story of how a big city is fighting to keep "good neighborhoods" from going into decay

ONE day back in 1950 a change began which, seemingly overnight, changed a deluxe building with spacious nine-room apartments into an ugly, teeming tenement. It was an all too familiar story in Chicago. The six flat building changed hands. Various calculated harassments caused its tenants to move. In place of six outgoing families, 45 families were jammed, sardine-like into the building.

Neighbors in the still substantial and pleasant South Side area were enraged and alarmed. They knew the pattern of what usually follows. One illegally converted building can begin the ruin of an entire block, putting its old established residents to flight. Then, the poison spreads sending the whole district on a roller coaster descent toward slums.

Contrary to thousands of cases like this one, which helped to create Chicago's present blighted areas, the normal sequence of events was averted because the neighbors were willing to fight to save their community. Through the Hyde Park-Kenwood Community Conference they dog-

gedly pushed two years of building inspections, fines and court cases until the illegally converted building was evacuated and plans launched to convert it into marketable five and six-room apartments.

This community conference and similar organizations in other sections of the city have fought many cases of illegal conversion and property maintenance since then. But city officials have come to realize that neighborhood conservation is not just a local problem. They have awakened to the cold fact that citizen efforts alone cannot stem the flood of blight which threatens to inundate Chicago's still good, middle aged, residential sections.

Slum Prevention War

Last July, Mayor Kennelley appointed an Interim Commission on Neighborhood Conservation. Following its preliminary report to the City Council in October, the city launched a slum prevention war to save "the economic backbone of the city," namely, 56 square miles of middle-aged residential neighborhoods.

A lot is at stake; one-fourth of the entire city is involved in creeping deterioration. One out of every two Chicagoans lives in these 35 to 50

year old neighborhoods which are ripe for physical disintegration. Without immediate, stringent action housing authorities fear they are ticketed for slums.

"New slums are developing in Chicago faster than we can clear and rebuild the old ones," the interim committee's report warned. "The costs of rebuilding are enormous," the report continued. "We simply cannot afford to wait until older areas actually reach the slum state."

The interim commission's urgent call for a vital "ounce of prevention" was met by the City Council with a \$55,000 appropriation for 1953 to put the conservation program in motion. Selected to head it was James C. Downs, Jr., the city's Housing and Redevelopment Coordinator, who served as chairman of the interim commission.

As a start, the city has selected three areas for intensive pioneering in conservation work. Chicago will have to improvise and feel its way along on this effort because conservation is a new preventive medicine and one which no other city has yet successfully administered.

Certified for neighborhood conservation are these Southside areas: West Kenwood, which takes in 39th Street to Garfield Boulevard and the area from the New York Central to

← The checkered pattern of Chicago's South Side: a university campus — close by, near-slum areas

Chicago Aerial Survey Photo

the Pennsylvania Railroad tracks; the Southeast area from 39th to 67th and from Cottage Grove to the Lake; and the Southwest area, which is bounded by the Grand Trunk and Pennsylvania tracks and the following streets — Garfield Blvd., Racine Ave., 51st and Halsted.

"Guinea Pig Areas"

These guinea pig areas were chosen because of their physical condition, the type of economic and social structure, and because of the possibility of dovetailing the work of such agencies as the Chicago Land Clearance Commission, Chicago Dwellings Association, Board of Education and Park District into a coordinated conservation program.

Above all, however, was the willingness and ability of community groups in the areas to participate in preserving their neighborhoods. Coordinator Downs emphasizes that neighborhood conservation can be successful only if it is a joint venture between city agencies and community civic organizations. Neither can do the job alone.

These certified areas already have strong, aggressive community organizations which have done much in the last few years to revive their neighborhoods.

None has had more spectacular

Authoress Betty Savesky has been cited by the Ely Chapter of Lambda Alpha, international fraternity of realtors and city planners, "for the best trade journal story relating to land economics" in Chicago. The article: "Everyone Talks Civic Improvement, Here's Real Action!" (COMMERCE, Nov., 1952).

results than the Southeast Chicago Commission, headed by the University of Chicago's Chancellor, Lawrence A. Kimpton. In one year it has reduced the crime rate in the area 25 per cent. Under the executive direction of Attorney Julian Levi, it is now moving to see that standard housing does not become substandard through illegal conversions and zoning violations.

The cops-and-robbers phase of the SECC's work is a necessary first step toward restoring community confidence and feeling of security. The second step toward conservation, which is just getting under way, is the SECC campaign to discourage "slum speculators" from buying property in the Hyde Park, Woodlawn and Kenwood areas.

SECC will carry its "we mean business" message to property buyers through billboards, brochures and display signs. Thirty prominent real estate dealers in the area will dis-

play Investigate Before You Invest signs and will distribute SECC brochures before letting buyers sign on the dotted line.

To backstop realtors, banks and building and loan associations in the area have agreed to make prospective borrowers read the brochure on regulations before they certify loans. Clauses are to be included in mortgages stating that illegal conversions, housing and/or zoning violations will constitute a default, permitting the loan to be called.

A good example of the one-two-punch the SECC packs involved the four-story Graymont Hotel on East 46th Street. This neat gray brick building overlooks fashionable St. James Methodist Church. Near by are the Kenwood Community Church and Shakespeare School. Until early 1951, when it changed hands, it was a quiet residential hotel. With the new ownership it became a hang-out for known criminals and dope peddlers. In one year the police made 68 raids and arrested 119 persons.

The SECC's staff criminologist assembled records of the violations and took them to the State's Attorney who instigated a suit to close the hotel as a public nuisance. Then three insurance companies carrying policies on the building were told the facts. They cancelled their coverage. The banks holding the mortgages were contacted and when the insurers cancelled they foreclosed, the terms of the mortgage having been defaulted. The property changed hands and is once more a quiet residential hotel.

"Property Exploiters"

The SECC is out "to put the fear of God" into property exploiters and is now planning action against flagrant violators of building and health standards. One building about to get the full SECC treatment has 23 illegal basement apartments. The fire department has made three calls there in the last year; numerous juvenile delinquents living there have been arrested on narcotics and hold-up charges.

Until now the city has done little to correct the situation. Building inspections in 1951, 1952 and this year have resulted in three \$25 fines. Compare these penalties with the

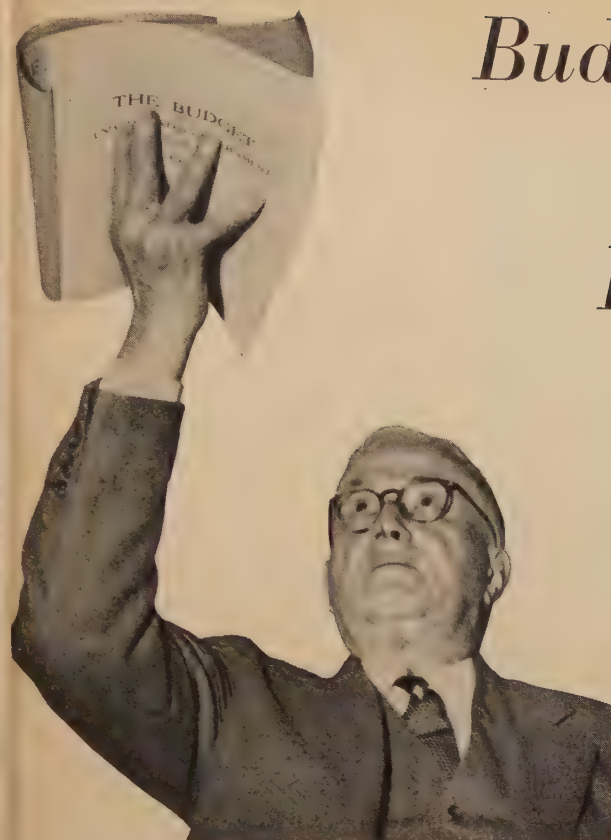
(Continued on page 41)

Chicago has found it is easier to prevent slums than rehabilitate them



Budget Revision:

Key To Ike's Policies



A host of questions being asked by business still await one big decision: the budget

By JACK ROBINS

Economy-minded Rep. John Taber of New York demonstrates one way of "balancing" budget.

WILL federal taxes be cut? Will the Eisenhower administration continue farm subsidies? How much will the Republicans devote to foreign aid? Is the defense air build-up program to be stretched out further, or contracted to speed attainment of our power goals?

These are samples of a host of questions being asked by business men who know that the entire U. S. economy, as well as their own business decisions, depends on the answers. Most of them have not been firmly answered more than two months after the accession of the new administration to power. They are, however, about to be answered—at least by a basic decision which will permit the lesser answers to fall into place one by one.

Due Within Month

That answer will come in the Eisenhower revision of the federal budget for the fiscal year beginning next July 1, a year for which President Truman, before leaving office, proposed expenditures of \$78.6 billion. The revision, on which Budget Director Joseph W. Dodge has been working virtually night and day

since before the Republicans took office, will be completed late this month or soon thereafter.

Even before President Eisenhower took office he realized that a sound U. S. economy was basic to everything the U. S. might want to do in domestic as well as international affairs, and a balanced budget was basic to a sound economy. In the State of the Union message he placed the emphasis where he thought it should go:

"The first order of business is the elimination of the annual deficit . . . Reduction of taxes will be justified only as we show we can succeed in bringing the budget under control. As the budget is balanced and inflation checked, the tax burden that today stifles initiative can and must be eased."

It was a tremendous task he put at the top of the list, since Mr. Truman's estimates for 1954 had forecast a deficit of \$9.9 billion. There was considerable doubt whether the return to a balanced budget could be accomplished in one year. But the initial decision to look at the budget, first of all, was of itself the tipoff that tax reduction would have to wait.

The actions and statements of

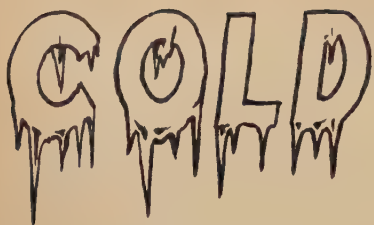
some administration figures in Congress have tended to becloud this fact. Chairman Daniel W. Reed of the House Ways and Means committee, the tax-originating body, introduced a bill to cut individual income taxes in the low and middle income brackets by 11 per cent—wiping out a boost that is helping finance our Korean expenditures—by June 30, six months ahead of time. He got strong backing from his committee, which endorsed the bill.

Tax Reductions?

But responsible leaders, including Senator Taft, agreed with the President's estimate of what comes first, and regardless of what the House may do on Reed's bill (and at this writing he is talking of bringing it to a vote by petition), no such major reduction in revenue, involving more than \$2 billion annually, will be approved by Congress. Similarly there will be no repeal of the excess profits tax, which is under heavy fire from business, unless a substitute raising substantially the same amount of revenue is approved at the same time.

What the budget revision will

(Continued on page 34)



Air Conditioning Turns

Will the next appliance boom involve a tailored-temperature unit that keeps your home warm in winter and cool in summer?

By J. P. SANDERSON

WHEN the Prince of Iraq visited the United States in 1945, he marveled at Manhattan, the Great Plains and the scenic wonders of the West. But the thing that amazed him most was an oblong box in the window of a Kansas businessman's home. As if by magic, the curious device sucked in blistering hot air from the outside and transformed it into the comfortable coolness of an autumn day. The room temperature was a pleasant 70 although the mercury registered 102 in the sun outside.

"Amazing," said the Prince to one of his friends from Iraq. "These

Americans even control the weather!"

The Prince's discovery in 1945 foreshadowed the discovery by tens of thousands of American homeowners that the weather can be controlled. This fact — plus the universal desire for more pleasant living — explains the phenomenal postwar boom in home air conditioning.

Temperature and humidity control have been used by industry for about 50 years. But the application of air conditioning to the home is

relatively new. Back in 1945 there were only a handful of air conditioning units in private homes. They cost more than \$500 each and cooled only one room. Regular furnaces were needed to supply heat during the winter.

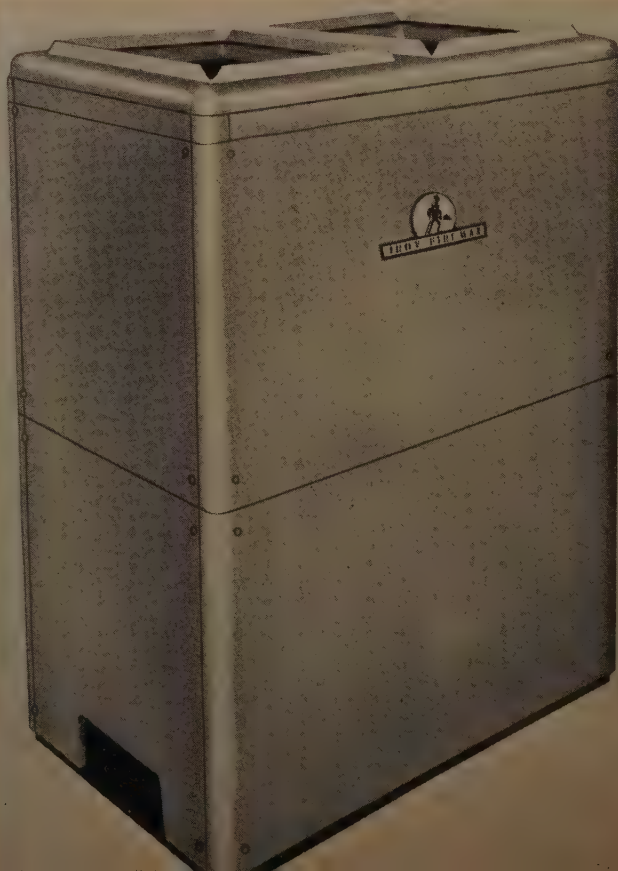
Today, greatly improved one-room air conditioning units can be bought for less than \$300. A wide variety of models are marketed by more than 60 companies.

Last summer's withering heat wave — plus extensive advertising — sold about 412,000 room-type air conditioners. This was twice the in-

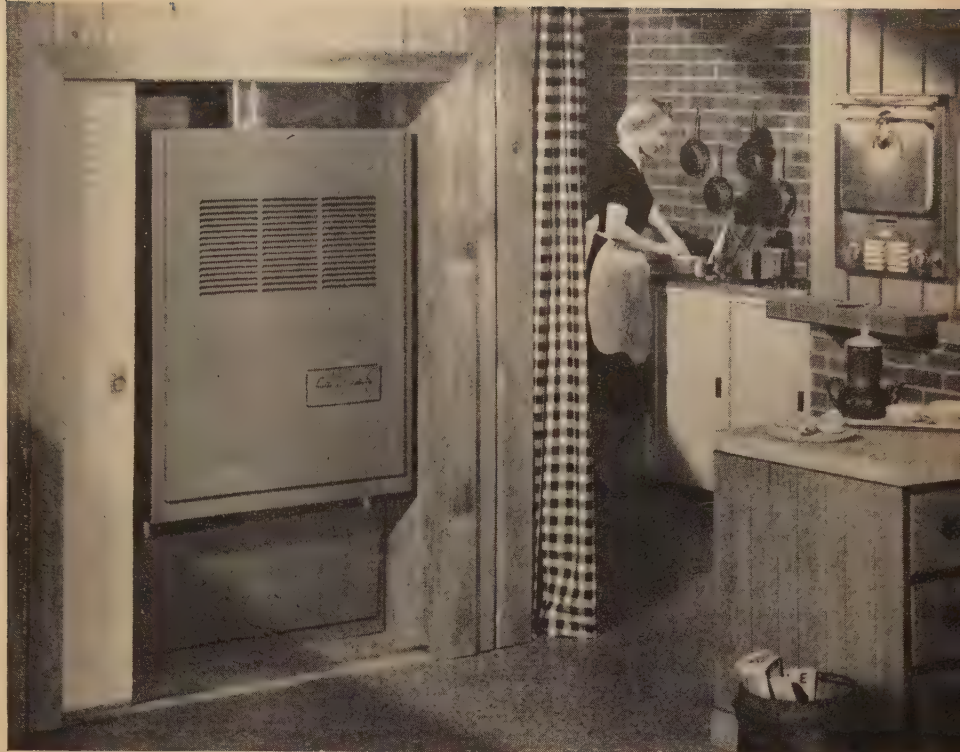
Servel's two-ton, year-round home air conditioner is 75 inches high, 27 inches wide, covers 8½ square feet



Iron Fireman's central unit is acoustically and thermally insulated, comes in 2 and 3-ton sizes



HOT



Carrier's new year-round unit, called the "Home Weathermaker," can be located in a small closet; it cools, heats, dehumidifies, filters air

Industry's output for the previous year, and an even bigger sales volume is predicted for this year.

In order to meet the increasing demands for home air conditioning, Carrier Corporation, a pioneer in the industry, spent more than \$7 million recently to set up a modern assembly plant near Syracuse. Carrier is upping production of single-room units by 200 per cent this year. Servel, another big producer, claims its output of home air conditioners will be up 300 per cent this year.

"Nineteen hundred and fifty-three

is going to be the greatest year in the history of this industry," predicts S. J. Levine, general manager of General Electric's home heating and cooling department. (Last year GE dropped out of the heavy industrial

cooling business to concentrate on the residential market.)

"The industry will probably sell 500,000 air conditioning units for all types of household use in 1953," says W. F. Switzer, manager of commercial and air conditioning sales for the Frigidaire division of General Motors.

Naturally the sixty-odd companies which market room type air conditioning units are licking their lips at the steadily rising sales curves. But there is another development that has turned the industry starry-eyed with visions of mushrooming prosperity. This innovation is central air conditioning for homes. These residential units, which replace conventional oil, gas and coal furnaces, cool a house in the summer and heat it in winter. They also filter and humidify the air year-round.

Will Obsolete Furnaces

Industry spokesmen confidently predict that these new units will ultimately make furnaces as obsolete as the pot-bellied stove. Whether such exuberant forecasts will prove accurate remains to be seen. One thing is sure: air conditioning is revolutionizing the furnace industry and the best explanation is that the furnace makers have seen the handwriting.

(Continued on page 25)

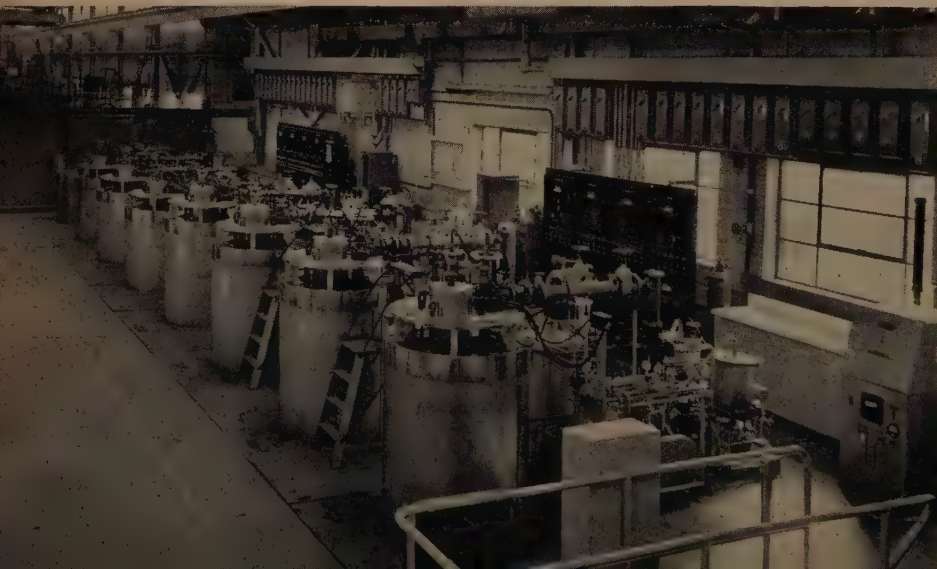
A damper, top center, controls L. J. Mueller Furnace Company's summer air conditioner shown here hooked to a conventional gas-fired burner





To obtain "pure" zirconium, found to be the ideal metal for the atomic submarine reactor, Westinghouse scientists began with zirconium "sponge," coke-like lumps that are produced from zirconium sands washed ashore on Pacific Ocean beaches. In the purification process, zirconium sponge is fed into . . .

. . . this battery of tank-like furnaces to begin the chemical reaction which ultimately results in zirconium "crystal bars" 99.9 per cent pure. To meet the urgent need for pure zirconium, this production aisle at Westinghouse's atomic power division was designed, equipped and activated in only 14 weeks



Zirconium:

Why science

ZIRCONIUM, a metal that has been known for years but only as a laboratory curiosity, has suddenly awakened out of obscurity to play a prominent role in the building of the nation's first atomic submarine. Just four years ago the little known metal was selling for \$250 a pound. Today — as a result of extensive research work by the Westinghouse Electric Corporation — the price has been chopped to \$15 a pound and metallurgists across the country have already begun probing for possible new uses for the metal that is lighter than steel, has amazing corrosion resistance even at high temperatures, and is exceptionally strong and workable.

Westinghouse's interest in zirconium was aroused when it began casting around several years ago for a metal that could be used in the

Inside tanks are thin strands of zirconium wire on which more metal collects forming "hairpin" bars



It Took A Submarine To Rouse It!

is excited over an obscure metal that was a lab curiosity four years ago

atomic submarine reactor. None of the more common metals, like iron, steel, or aluminum, could be used, principally because they "absorb" neutrons and thereby interfere with atomic fission. However, it was found that neutrons "bounce off" zirconium and thus none are lost. The big task of procuring zirconium in adequate quantities for the atomic submarine is graphically told in the pictures on these pages.

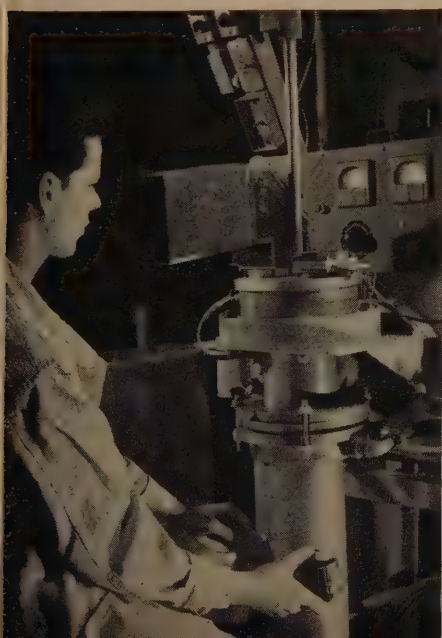
Today, Westinghouse scientists rank zirconium as second in importance to uranium in the nuclear reactor program. Westinghouse no longer produces zirconium, but other manufacturers are now forming, rolling and machining parts from ingots as big as a foot in diameter and weighing up to 500 pounds. The metal's future? Most authorities believe zirconium's primary applica-

tion will be in the field of atomic power development, where it has significant advantages over stainless steel and other metals. But metallurgists emphasize that it is impossible to guess just where a metal can be utilized until much laboratory work has been done, and today zirconium is one of our most interesting subjects for laboratory experiment. As Westinghouse puts it,

"Although the quantity of zirconium to be produced is small when compared to the tonnage of iron and aluminum made, the fact that reactor-grade zirconium now is to be produced in industrial plants instead of laboratories, as was originally the case, is definite evidence that it has passed the 'Sleeping Beauty' stage and is a thoroughly awakened member of the great family of metals available to American industry."



Later, bits of zirconium "crystal bars" are melted in this electric-arc furnace to form ingots which . . .



. . . are then tested for hardness (above) before being put to use in the development of atomic submarine reactor. Zirconium's value lies in fact that it does not absorb neutrons in fission process like more common metals. (Below) This "pretzel-bending" machine shapes 50-foot-long zirconium filaments for use in purification furnaces by push-button controls



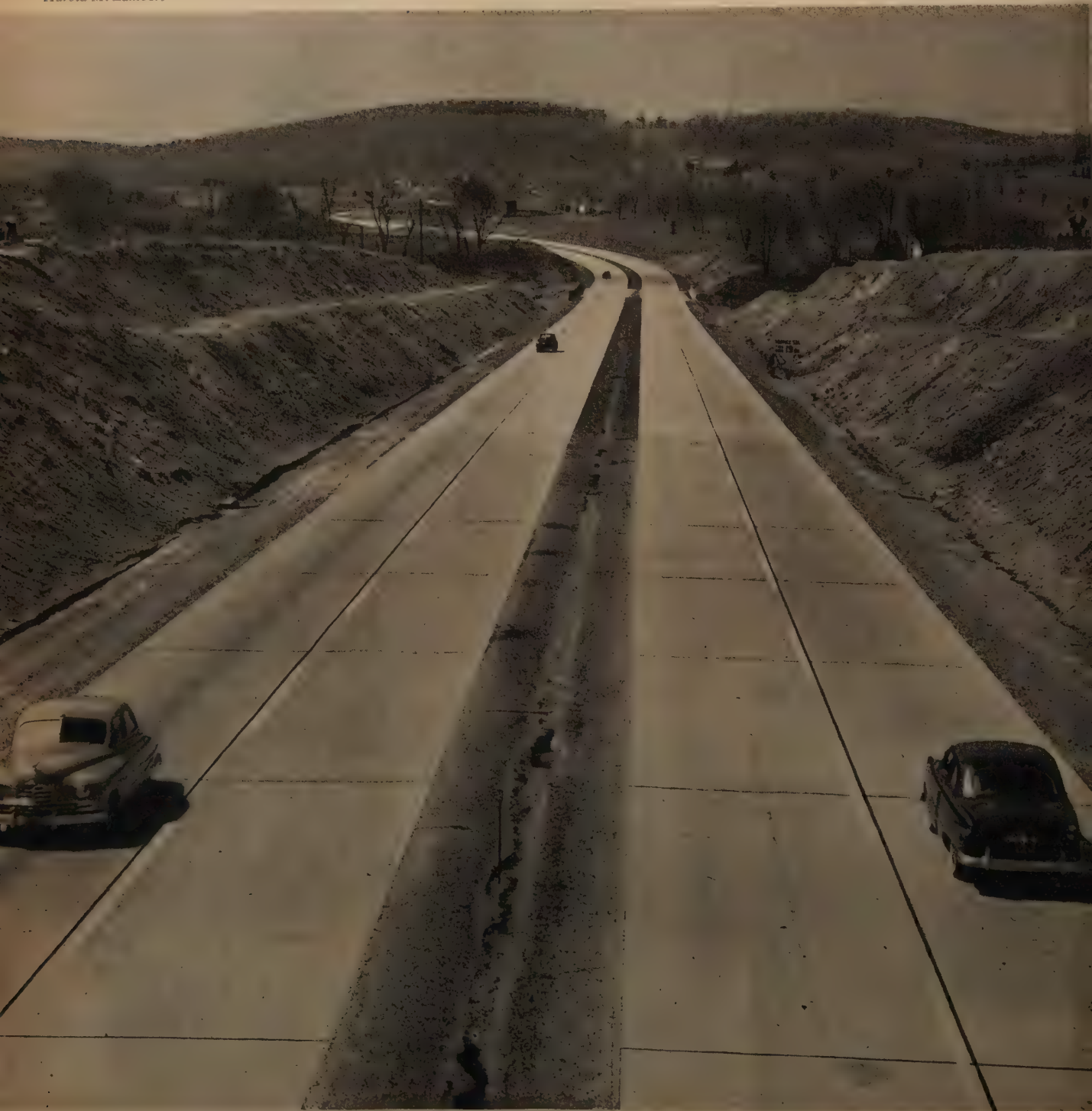
SLICHTER LOOKS AHEAD

A prominent economic forecaster now sees four major questions influencing the course of business over the next several years

By Sumner H. Slichter

Harold M. Lambert

If defense spending is cut by, say, \$5 or \$10 billion, can it be offset with other spending like public works?



TO APPRAISE the business outlook over the next several years (in contrast with the outlook for the next few months), it is essential, I believe, to consider a number of important questions. While it is impossible to consider briefly all the questions involved in the business outlook, I believe these four are especially significant:

1. If the country is able within the next two or three years to reduce defense spending by a few billion dollars a year (say from \$5 billion to \$10 billion), can we bring about an offsetting rise in private spending or some other kind of spending?

2. Can the present high rate of investment spending be kept up for two or three years longer?

3. If investment spending drops, can other types of spending be increased to offset this drop?

4. If defense spending must be increased during the next several years, how much of an increase can the country stand without experiencing inflation or other bad effects?

I do not pretend to be able to give definitive answers to these questions, but I think I can shed considerable light on them.

Fewer New Families

As a background for the consideration of these matters, here are a few present facts and probable developments in the economy:

1. The rate of family formation in the years immediately ahead will be considerably less than in the years immediately past. During the last five years, the number of families increased by 4.2 million, or an average 800,000 a year. Between 1952 and 1960 the increase will be much less. Estimates range from 500,000 to 700,000 a year. This drop in the number of families will reflect the relatively small number of births during the severe depression in the 'thirties.

2. The population increase in the 'fifties is likely to be considerably greater than during the 'forties. In the 'forties population increased by 19.8 million. More than half of this increase was in the last four years of the decade when the birth rate

jumped by more than 25 per cent to the highest level it had been since the early 'twenties. Even if there is a gradual drop of one-third in the birth rate by 1960, the rise in population between 1950 and 1960 would be as great as between 1940 and 1950. A smaller drop in the birth rate would permit an increase of 24 million in the present decade, and a still smaller drop in the birth rate would permit an increase of over 28 million in population. No one knows what will happen to the birth rate. Thus far the drop that is expected has not started—there were a few more births in 1952 than in 1951. Thus, the range of probable population increase for the decade of the 'fifties may be put at between 22 million and 26 million.

3. The labor force in the years immediately ahead will probably increase at the rate of about 700,000 per year.

4. The economy has increased its productive capacity by roughly 25 per cent since 1946. It was operating at capacity in the last quarter of 1952 and it was operating at close to capacity in 1946, though 1946 saw a record-breaking amount of time lost because of strikes. The increase in output in terms of 1952 dollars between 1946 and the last quarter of 1952 was 27 per cent.

5. The economy has a capacity to increase output by roughly 3.5 per cent a year—2.5 per cent as a result of higher productivity, and one per cent or a little more as a result of the growth of the labor force. In dollar terms, this means an increase of around \$12 billion to \$13 billion a year.

6. When the gross national product increases at about 3.5 per cent in terms of constant prices, the yield of present federal taxes grows by roughly \$2.5 billion a year.

Private Expenditures

Now, let us consider briefly each of the four basic questions.

If the country is able within the next two or three years to reduce defense spending by, say, \$5 billion or \$10 billion a year, can we bring about an offsetting rise in private spending? If, by any chance, the cash budget of the government were in balance at the peak of defense spending, the task of offsetting a drop in defense spending with a rise in pri-

vate spending could be considerably simplified. If the government planned to cut its defense outlays by \$5 billion in a year, it could, without destroying the balance in its budget, cut taxes by \$5 billion a year, thus raising private incomes after taxes by \$5 billion a year. This increase in incomes after taxes might be expected to produce a more or less equal rise in private expenditures on consumption and investment.

During the coming fiscal year,



Economist Slichter: "No government will take the responsibility of throwing the nation into a tailspin"

which will probably be the peak year in defense spending, the cash budget of the government will be in the red by \$2 billion to \$4 billion if no tax reductions are made, and by about \$2 billion more (a total of \$4 billion to \$6 billion) if the temporary tax increases, which terminate on June 30 and December 31, 1953 and March 31, 1954, are allowed to run out. This rough estimate assumes that the Eisenhower administration will be able to make moderate cuts in most items of the budget submitted by Mr. Truman in January. On two important items (interest payments and expenditures for farm price support), however, the Truman estimates seem substantially too low, but on foreign military and economic aid they are substantially too high.

If defense expenditures are cut from a budget that is in the red, then tax cuts which equal the expendi-

*This analysis of the business outlook has been digested from an address delivered by the author before the Central States Group, Investment Bankers Association of Chicago on March 12, 1953.

ture cuts and, therefore, raise private incomes after taxes by the amount of the cuts in defense spending will preserve but not increase the deficit in the budget. On the other hand, if the budget is brought into balance by cutting taxes by less than the reduction in defense spending, private incomes after taxes will not rise by the full amount of drop in defense outlays. In that event, it will be far more difficult to bring about a rise in private spending equal to the drop in government spending. I do not say that it will be impossible, but certainly it will be difficult.

Five Conclusions

This brief analysis of the problem of adjusting the economy to a drop in defense spending suggests the following five conclusions:

1. It is particularly important that in the year of peak defense spending, which will probably be 1953-54, the cash budget be brought as close to a balance as possible.

2. Economies in government operations and other cuts in government spending will be particularly useful in the year of peak defense spending.

3. Defense expenditures which can be safely delayed beyond the peak year should be postponed.

4. The terminations of the temporary tax increases should be postponed unless expenditures are cut so drastically that the terminations do not produce a deficit in the cash budget. The country must not use up part of one of its most important defenses against recession, namely, tax cuts, in a year of peak spending. Although termination of the temporary tax increases would cut revenues in the fiscal year 1953-54 by only a little more than \$2 billion, it would cut revenues over a full fiscal year by \$8 billion. Hence, termination would probably create the need for substantial reductions in spending in 1954-55.

5. The increase in social security taxes, scheduled for next January, should not be postponed. Indeed, the middle of the period of peak defense spending is the ideal time for making the increase in social security taxes—an increase which must come sooner or later.

Can the present high rate of investment spending be kept up for two or three years longer? The pres-

ent high rate of spending on industrial plant and equipment is one of the principal supports of the current high level of employment and production. Must one not expect an early drop in investment spending?

Three principal facts influence the answer:

First, the proportion of gross national product devoted to capital formation has not been high. Last year, the proportion of G.N.P. devoted to private capital formation of all kinds (industrial plant and equipment, housing, inventories) was 14.9 per cent. In 1929, it was 15.2 per cent; in 1910, 19 per cent; in 1913, 15.5 per cent. The proportion of the gross national product put into industrial plant and equipment in 1952 was the same as in 1929—10.5 per cent.

Thus, one must conclude that the present investment boom has not raised the proportion of gross product going into capital formation above the level that has prevailed in other investment booms.

Second, the private reproducible wealth of the country outside of household and industrial plant and equipment is not abnormally large in relation to the population or the

labor force. One of our great statistical lacks is good figures on who owns what—the kind of figures needed to construct a consolidated balance sheet for the country.

Figures that are available warrant the conclusion that the country is not overbuilt—that the high rate of capital formation of the last seven years has merely made up for the abnormally low rate of capital formation during the depression of the 'thirties and World War II.

\$446 Billion In Plants

The total private reproducible wealth of the country outside of households at the end of 1952 represented a cost less depreciation in terms of 1952 dollars of roughly \$770 billion. It has increased by about \$190 billion in terms of 1952 dollars since January 1, 1946. This is an increase of just under one-third in seven years. Nearly three-fifths of the private reproducible wealth outside of households consisted of industrial plant which, at the end of 1952, represented in terms of 1952 dollars a cost less depreciation of roughly \$446 billion. This was an increase of about \$100 billion in 1952 dollars, or 29 per cent, over January, 1946.

One must allow for the fact that the population and the work force of the country are growing. In per capita terms private reproducible wealth increased 17.9 per cent and industrial plant and equipment 14.2 per cent between January 1, 1946 and December 31, 1952. Plant and equipment per civilian worker increased 18 per cent in the same period. During the depression and the war, private reproducible wealth per capita and industrial plant and equipment per capita and per worker actually decreased, if one measures them at cost less depreciation expressed in dollars of constant purchasing power. The reason was that, during much of the depression and the war, replacements did not equal depreciation.

At any rate, private reproducible wealth per capita at the end of 1952 was not quite seven per cent higher than on January 1, 1929, plant and equipment per capita were the same as in 1929, and plant and equipment per civilian worker were only 2.5 per cent greater than in 1929. Hence,

(Continued on page 31)



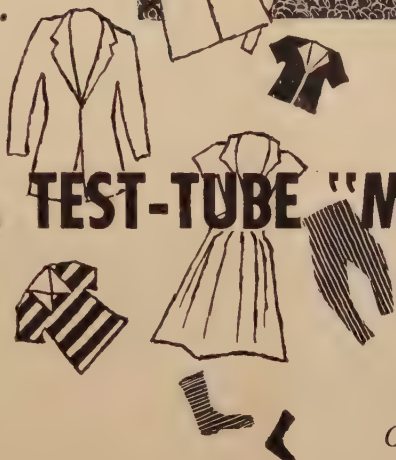
We must also be prepared if defense spending goes up instead of down

By Phil Hirsch

Coming up fast...



THOSE TEST-TUBE "MIRACLE FIBERS"



CAN "KING WOOL" HOLD ITS LEAD

IN THE \$7.8 BILLION CLOTHING MARKET?

ALEX GUINNESS, the popular British actor, appeared in a movie some time ago, in which he portrayed a young textile chemist whose contribution to mankind was no less than a synthetic fiber that would never wear out! In real life, this resourceful young chemist would probably be a research scientist employed by the duPont Company, Chemstrand Corporation, Union Carbide and Carbon Company or any of a number of other firms which have been turning up so many new synthetic fibers in recent years there seems an outside chance that some day they may very nearly match Mr. Guinness' celluloid triumph.

Dozen New Synthetics

About a dozen new synthetic fibers have come out of the laboratories since the war to amaze and, at times, confuse the male clothing buyer, who now needs something approaching a chemical dictionary before approaching the racks of new suits. The four most widely publicized synthetics are

Dacron and Orlon, developed by duPont; Acrilan, developed by Chemstrand; and Dynel, the product of Union Carbide.

While none of these fabrics are a match for Mr. Guinness' wonder fiber, they do offer several advantages over wool and cotton, at least in the opinion of their manufacturers. Notably, they resist wrinkles and moisture, and they are more or less washable.

Worries For "King Wool"

Furthermore, there is no question whatever that the test tube wonders of the fabric world are playing an increasingly prominent role in the nation's \$7.8 billion-a-year retail clothing market. The natural fiber producers, who are facing stiff new competition from the synthetics for the third time in as many decades, can derive slight comfort from past history. Rayon, developed in 1924, and nylon, first produced commercially in 1938, have been steadily boring away at the predominance of

"king wool" in the apparel industry.

As recently as 1946, for example, 98 per cent of all women's untrimmed coats were made of wool. By 1951, this figure had dropped to 77 per cent. During the same period, the percentage of women's suits made of wool tumbled from 89 to 40!

Nor have the inroads of the synthetics been any less dramatic in men's apparel. Wool regular weight suits dropped from 98 per cent of the total in 1950 to 92 per cent in 1951, while summer weight suits made of wool declined from 72 per cent to 35 per cent.

Furthermore, the new "miracle" fibres have roared out of the laboratory and into mass production with astonishing speed. Last year, of a total of 1.8 billion pounds of man-made fibers turned out in the United States, the new fibers accounted for about 320 million pounds. By mid-1953, the "miracle" fibers are likely to rise to some 385 million pounds on an annual basis, and more than one production observer believes

production at the half-billion-pound level is now only a matter of months away!

As early as 1950, an all-Dacron summer suit was on the market. Since then, the fiber has been used in shirts, socks, ties, sweaters, slacks and sport coats. Dynel, which emerged from the research laboratory about the same time as Dacron, has been used primarily in socks and sweaters, although one firm currently is experimenting with it as a suiting fabric. Orlon, introduced commercially in 1951, is used in such items as suits, sweaters, socks, shirts, and slacks.

Invades Men's Wear

The extent to which these new fibers have invaded the men's apparel market was indicated last fall, when this spring's merchandise was first shown to retailers. Marlborough Shirt Company, for example, has introduced Orlon blends, all-Orlons, and Dacron blends into its sport shirt line, and Ralph Winett and Company, a major supplier of men's slacks, has devoted about 10 per cent of its spring line to Orlon and Dacron. Eagle Clothes, one of the nation's larger suit and outercoat manufacturers, introduced a suit blended of 50 per cent Dacron and 50 per cent wool, which, priced to retail at \$69.50, will represent about 15 per cent of its total spring production.

B. Kuppenheimer and Company is offering an all-Dacron suit and a 55-45 wool-Dacron suit for the first time this year, and the big firm is also offering Orlon for the first time in casual coats and in slacks. Hart, Schaffner and Marx has also added an all-Dacron suit to its 1953 line.

Now what does all this excitement over the wonder fabrics mean to the average male clothing purchaser? Well, for one thing, retailers are quick to point out that they are stocking suits and slacks and shirts made of the synthetics largely in answer to consumer demand. The synthetics have been heavily advertised and of course, the average man loves to buy something brand new. But retailers nevertheless have their fingers crossed.

The reason is that the demand that has created next season's higher stocks of garments made from the new synthetics is still chiefly a "novelty demand." The big question is, will it continue year after year, like the age-old demand for wool?

Most retailers and clothing manufacturers are agreed that to convert this "novelty demand" into permanent shopping habits will require some pretty basic changes in men's clothing preferences, which at best, tend to be a rather inflexible matter to contend with.

One big problem is the question of price. The newer synthetics cost

more than the same apparel made of natural fibers. Once the price comes down to a more competitive level, the sales value of the new fibers will be more apparent.

Interwoven Hosiery Company offers a good example of price differential. The firm makes socks of Dacron, Dynel and Orlon, priced to retail at \$1.50 a pair, and quality cotton and wool socks at \$1 to \$1.25. Wilson Brothers, another big manufacturer of men's hose, sells nylon socks at \$1 and imported woolens at the same price. The firm has two qualities of Dacron hose in its current spring line, the best selling for \$1.50 and a lighter weight pair at \$1.

In men's suits, it's the same story. Most department stores offer wool tropical suits at \$50 to \$70. A 55-45 blend of dacron and wool costs about \$69.50, while the same blend using Orlon is about \$65. All-Dacron suits are priced at about \$80 to \$90. But, according to some retailers, prices of Dacron and Orlon clothing are at least 25 per cent higher than they would be if there were enough fiber to go around.

Huge Potential Demand

Last year duPont produced Orlon at the rate of 6½ million pounds a year, and about three million pounds of Dacron were produced at a pilot plant at Seaford, Delaware. An estimated six million pounds of Dynel were manufactured during the same period. But this production does not even begin to match the potential demand for the new fibers.

Eventually, of course, when the new fibers become more plentiful, the clothing industry will come face to face with the problem of which performs better, natural or synthetic fibers? Already, millions of dollars are being spent on advertising, research and promotion by both sides.

At present, retailers say, the new synthetics are carving a steadily larger niche in the summer suit business. For example, one authoritative industry source points out that retailers expect the Dacron-rayon and Dacron-wool blends, to account for a hefty 14 per cent of all summer suit sales this year, compared with 6½ per cent in 1952. Department of Commerce figures show that in 1951, 4.3 million summer suits were produced, with units containing syn-



"It seems to me you've retired rather early in life!"

(Continued on page 36)

Cold Air Conditioning Is Hot

(Continued from page 17)

ing boldly written on the wall. As recently as 15 months ago about a half dozen manufacturers were turning out year-round residential air conditioning units. Today, more than 30 manufacturers have central units already on the market and about 25 more are developing such units. Of the total, about two-thirds of these "big unit" producers are from the furnace business! By now, there is hardly a major furnace maker who does not have a combination unit on the market or is not planning to introduce one soon. A number are also offering a cooling unit which may be added to blower type furnaces already in service.

While year-round central units vary widely, a typical model runs about five feet in height, three feet in width and a little more than two feet in depth. It can be installed inside a large closet or set up in the attic or basement. In most newly built homes, the units are placed in special closets on the main floor. Then hot or cold air is distributed

through pipes under the floor in cold climates or via overhead pipes in warmer areas. Controls are located on a thermostat.*

A fan inside the unit draws in air from outside vents. It passes through a filter, is heated or cooled according to the season, then is pumped through the house. Heating is accomplished by a gas or oil burner, and a mechanism very similar to that used in a home refrigerator is used for cooling.

Present Cost

Year-round, two-ton central units — now generally regarded as ample to cool a five or six room house in almost any part of the country — cost, installed, from \$800 to \$1,200 over the price of a conventional heating plant at the time a new home is built. If you figure an average cost of around \$900 (which is about typi-

*A newly-marketed thermostat especially designed for all-year air conditioning is described in this month's New Products department on page 40.

cal for Chicago), this amounts to roughly \$5 a month added to the cost of a 20-year mortgage. Incidentally, some bankers have begun making extra appraisal allowances for air conditioning on grounds that it will sustain the value of a house in years to come. FHA recently granted its first loan covering air conditioning, indicating that it no longer looks upon it as a luxurious frill.

Operating costs depend, of course, upon the climate. General Electric figures that around New York City it costs between \$35 and \$50, on the average, to operate a two-ton unit all summer. In Chicago the estimate is about \$50 to \$60 for the "cooling season," and in the prolonged hot weather of Texas up to \$100 or more a summer.

Is air conditioning worth the cost? There are arguments on both sides of this question. If you figure the initial small home installation cost at roughly \$5 a month (on a 20-year mortgage basis) and operating costs at, say, \$5 a month year-round, you wind up with a figure of \$10 a month for the comforts of air conditioning

(Continued on page 27)



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Grandma would have been flabbergasted at this high-speed, huge-capacity method of producing the "staff of life."

PICTURED above is a sketch of one of the world's most modern bakeries which will soon begin handling all major ingredients of bakery products by carload lots. It is the new Indianapolis plant of Omar, Inc., which with the development of a new type of sealed hopper car will receive flour, granulated sugar, dextrose, lard and shortening at a siding in 60,000-pound hopper cars for direct transfer to bakery ovens.

The big advantage, of course, in the bulk handling of flour and other ingredients is that it eliminates packaging, weighing and handling of individual sacks which is now standard procedure. The new method was adopted after it was learned that flour could be poured into specially adapted hopper cars as easily as coal or cement is loaded into standard hopper cars. When carload shipments are received at the bakery, a vacuum process sucks the flour from the car and starts it through the bakery production line.

The hopper cars to be used at the new plant are similar to standard hopper cars except that the inside walls are lined with a special wax to provide smooth surfaces to keep flour from sticking to the car sides. The special cars are also sealed against dirt and dust.

Cooperating in the new conception of ultra-efficient bakery production is the Illinois Central Railroad which will serve the new Omar bakery. In experiments, Illinois Central modified a 60,000-ton hopper car for flour shipment. New hopper cars designed for bakery ingredient shipments will be used, however, for regular shipments to the plant.

One of the major worries in experimenting with bulk shipments of flour and other ingredients was that regular hopper car sides would not be steep enough to shed all the flour without some device for scraping, blowing or shaking it down.

Omar's Indianapolis bakery represents an investment, according to the company, of more than \$350,000. However, the company believes that the bulk handling of ingredients should save more than \$40,000 annually in extra warehouse charges and the multiple handling and trucking of individual bags of flour.

Air Conditioning

(Continued from page 25)

in cities like New York or Chicago. Of course, if you live in the sun-drenched Texas Panhandle, you're going to spend a lot more for these comforts than if you live in wintry North Dakota, so it is pointless to try to arrive at an "average cost" for air conditioning nationwide.

The next big question is, will consumers buy this air-cooled package? Here you get into the great intangible. Nobody knows what will capture the fancy of Americans, particularly if it is promoted hard enough and consumers continue to have the money to spend. Certainly the air-conditioning industry believes it can sell millions of people on the argument that its product is well worth the price. And they already have more than a little bit of supporting evidence.

In St. Louis, for example, Builder Melvin Glick recently put up 69 homes selling for \$20,000 each. When word got around that they were air conditioned, buyers began knocking at Glick's door. Forty-nine houses were grabbed up even before the deal was displayed to the public! By the end of the first day of exhibition, Glick had sold all but 12 of his homes.

"Air conditioning has become a major factor in selling new homes," says General J. J. O'Brien, president of Gunnison Homes. "We believe it will soon be a 'must' in the building industry. Families want year-round air conditioning, and we are pleased to be the first in the prefabricated field to offer this feature in low-priced homes of high quality."

In \$7,000 Home

Gunnison homes costing only \$7,000 (exclusive of lot) now contain year-round air conditioning. Knox Homes and American Homes, other prefabric builders, are following suit. Another fillip for the air conditioning enthusiasts comes from Emanuel M. Spiegel, president of the National Association of Home Builders. Says Spiegel: "Air conditioning priced low enough for the average family budget will be one of the major housing developments of 1953." To which Carrier Corporation's A. E. Meling adds, "The luxury tag on residential air condition-

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ing has been torn up and thrown away."

Builders in many parts of the country seem to be warming up to the idea that air conditioning may be just the gimmick they will need to sell new houses when this long-prosperous market turns sluggish. A Jacksonville, Fla., builder, for instance, is putting up \$10,000 single-family houses with central air conditioning, and in Albuquerque, N. M., all-year air conditioning is being installed in homes retailing for \$7,000. A Bronx, N. Y., builder is even putting air conditioning in a low-rent housing project.

Recently the National Association of Home Builders surveyed 255 prominent builders to learn their views about residential air conditioning. Almost 40 per cent of the respondents said that this year they were offering air conditioned homes to the public. These replies came from about 30 states, representing a variety of climates. Only 17 of the respondents said that they would limit air conditioning to homes selling for more than \$20,000.

75-Unit Project

The first completely air conditioned residential development in the East was a 75-unit project in Westchester County, outside of New York City. Its success — and the success of residential air conditioning in other Northern states such as Michigan, Minnesota and Oregon — indicates that the boom is certainly not restricted to warm climates.

"It gets hot almost everywhere," explains Carrier's A. E. Meling. "It may not stay hot for long, but the temperature still causes discomfort. In some areas, like the Eastern seaboard, the problem is high humidity. In other localities you get intense dry heat. Furthermore, in cooler climates people are not used to heat. So 90 degrees to a Milwaukee resident is apt to feel like 102 to a St. Louisian."

In addition to its role as a potential support for the residence market, air conditioning, in the opinion of some builders, makes possible significant construction economies. "Low-cost design, which frequently is a compromise or even a bad design from the comfort standpoint, becomes completely satisfactory when air conditioning is installed," Meling contends.

Windowless walls are cheaper to build, he explains, but their use in an ordinary house causes serious ventilation problems. Air conditioning, however, permits the use of solid walls for greater privacy and lower construction cost. Wings, jags and setbacks, ordinarily used to improve ventilation, can also be eliminated at a marked saving in houses designed specifically for air conditioning. Nor are attic fans needed in an air conditioned home, and in a double economy the pitch of the roof can also be lowered, further reducing costs.

Health Factor

The most obvious dividend to the owner of an air conditioned home is, however, the comfort of having the weather inside just the way he wants it. But the air conditioning makers have still another powerful inducement to brighten their sales literature. You're healthier, the folder says, in an air conditioned home! The argument: Dust particles which abound in unfiltered air encourage the growth of airborne bacteria and other disease-causing microorganisms, so with up to 90 per cent of these dust particles filtered out of an air conditioned home, you're much less likely to be sick. For asthmatics and hay fever victims, there's the added fact that filters also screen out agonizing pollen.

If the health argument doesn't win over the consumer, the air conditioning salesman can quickly turn the page to still another enticement. Under ideal temperature and humidity conditions, he will tell you, you feel better and work more efficiently. When air conditioning was installed in a gum factory in the Philippine Islands, he will point out, production promptly jumped 30 per cent. While the parallel is not particularly flattering, the argument is that housewives work better and more efficiently in air conditioned homes. For one thing, less housecleaning is necessary because filtered air is cleaner.

With this ample collection of sales inducements it is not difficult to see why the residential air conditioning business is booming. Certainly the market has only been barely scratched, for today less than one per cent of the 40 million U. S. homes have any form of cooling equipment.

Meanwhile, there are those in the air conditioning industry who be-

lieve that their product can be made even more attractive, price-wise, to the family of moderate means. Their reasoning involves some rather complicated engineering, but here is the gist of it all. Today, the air conditioning industry is uniformly providing cooling equipment that provides an ideal indoor temperature in a specific home in a specific locality even under extreme conditions of heat and humidity.

Now, the argument goes, you only need this capacity equipment on eight or ten days each year. So the question arises, would the average small home owner prefer to spend substantially less, in initial as well as operating costs, for a one-ton unit that would provide him complete comfort on all but those eight or ten hottest, most humid days each year? On those sizzling days he would simply close off his air conditioning downstairs at night, keeping his bedrooms cool, and naturally he would reverse the procedure in the daytime.

The interesting thing in this speculation is that operating costs are 25 per cent less on a one-ton unit than on a two-ton unit. Furthermore, there are those in the industry who believe that the initial cost of a one-ton unit, which would probably range around \$500 or \$600 installed in a new home, could be almost completely offset by construction savings made possible by air conditioning.

More than one expert in the industry believes the future trend will be toward such smaller units that avoid excess cooling capacity for more than 95 per cent of the year. And these same authorities feel that it is the smaller unit that will finally unloosen the flood gates of popular demand for relatively inexpensive air conditioning. Several manufacturers are now at work on one-ton units in anticipation of what they regard as a future industry trend.

In a fast-rising industry, of course, no one wants to hazard predictions. But today there is tremendous speculation on the "comfort cooling" versus "full capacity" argument. The trend will undoubtedly become clearer within another year. Either way, says one air conditioning expert, "Our business curve will look like that of the auto industry. Eventually, every family that can afford a car will be able to afford air conditioning in the home!"

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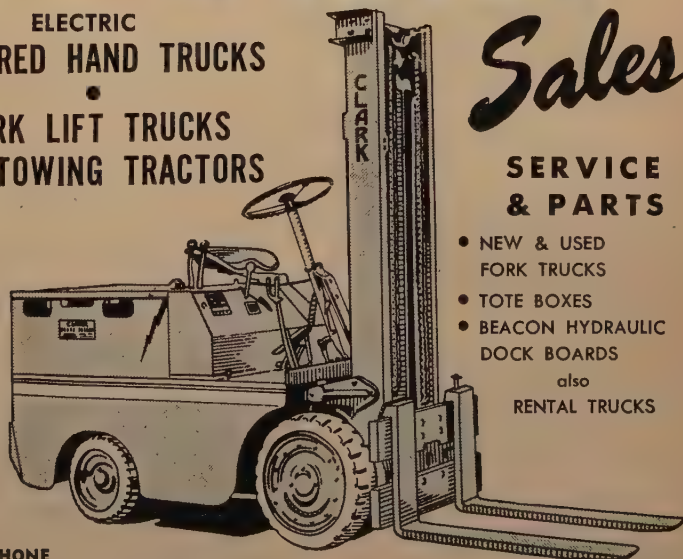
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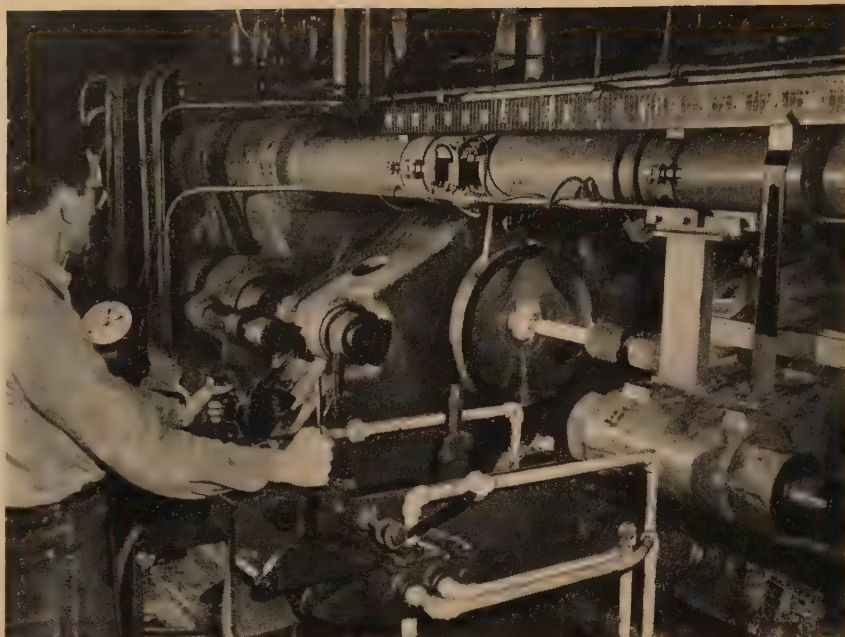
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BY A NEW process for "hot extrusion" the National Tube Division of United States Steel Corporation is now producing tubing at its Gary plant from non-piercable grades of stainless steel. Key to the process is the use of fiberglass as a lubricant on the mandrel and on the billet which is literally squeezed into tubes much like pressing toothpaste from its container.

The squeezing is done by a 2,500 ton hydraulic press which rams the tubing out of stainless steel billets heated to a temperature of 2250 degrees.

At full production and with a favorable product mix, it is estimated that the press will turn out more than 2,000 tons of tubing per month. It is capable of producing

stainless tubing with an outside diameter ranging from 1½ to 6¼ inches. Wall thicknesses vary with the size of the tube.

In tests National Tube has also successfully extruded a number of unusual shapes from stainless steel which cannot be produced by a rolling mill and previously had to be made by machining.

Round steel billets for extruded tubing are supplied by other United States Steel mills. Cut to length, they are drilled and rounded on one end to help the steel flow in the press. Each slug is heated to 2,300 degrees F., cooled slightly in a barium-chloride salt bath to dissolve furnace scale and then delivered to a charging table.

A sheet of fiber-glass wraps itself around the slug as it rolls into position before the press. The die ram is powered by a 2,000-ton hydraulic cylinder; the mandrel by one of 500 tons.

The new process is named "Ugine Sejournet" after its French inventor.

Slichter Looks Ahead

(Continued from page 22)

the country cannot be regarded as overbuilt.

Finally, private reproducible wealth outside of households per capita and industrial plant and equipment per capita have been increasing at an abnormally rapid rate. The per capita increase in private reproducible wealth in the seven years between 1946 and 1952, as I have pointed out, was 17.9 per cent; the increase in industrial plant and equipment per capita was 14.2 per cent, and per civilian worker, 18 per cent. These increases compare with a rise in all reproducible wealth (public and private) outside of households of 13.9 per cent in the ten years preceding 1929, of 21.5 per cent in the ten years preceding 1919, and 24.3 per cent in the ten years preceding 1909.

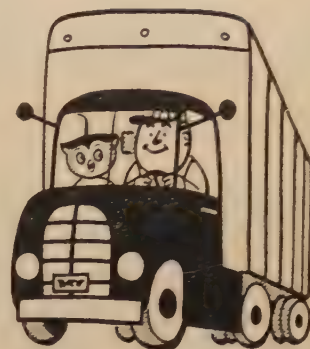
It is evident that the increase in wealth per capita and in plant and equipment per worker during the last seven years has been more rapid than during the 'twenties or the decade preceding the 'twenties. Since the increase has been going on for seven years, and since, in per capita terms, it has been rapid, one is compelled to expect some drop within the next two or three years in the rate of capital formation. On the other hand, the fact that the country has not been overbuilt leads one to expect the drop to be moderate, unless it is aggravated by independent influences, such as contractions in other parts of the economy or credit difficulties.

Research and Investment

Any drop in the rate of investment will be limited to a considerable extent by the large volume of industrial research which is now being done in American industry. The number of professional research workers in industrial and governmental research laboratories was four times as large in 1947 as in 1930, and it has increased considerably since 1947. Industrial research is of great economic significance because it gives management extraordinary new power to determine within a considerable range the supply of attractive investment opportunities. One must expect that business will use industrial research on an



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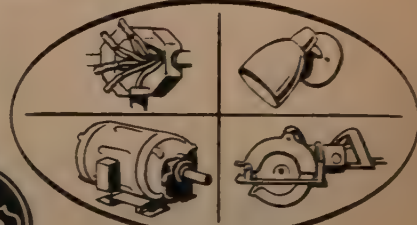
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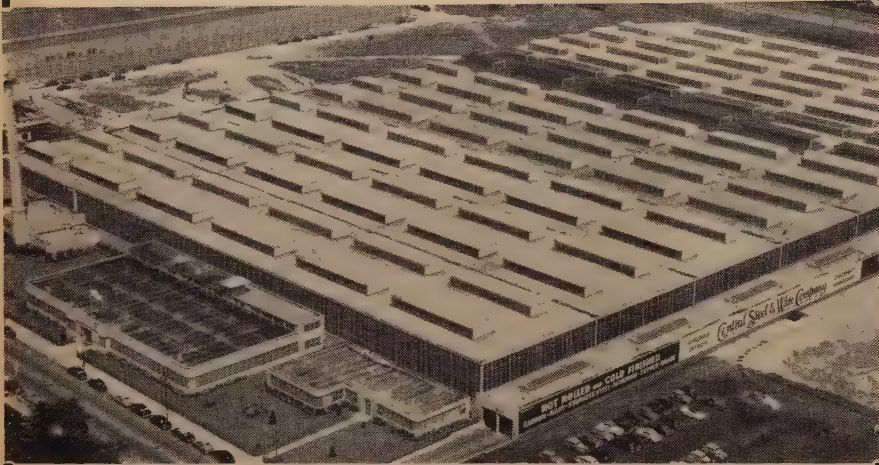
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The danger is that the drop in investment spending will coincide with the drop in defense spending, that the drop in defense spending will aggravate the drop in investment spending, and that the combined drop in the two kinds of spending will produce an aggravating drop in expenditures for consumption. The mere statement of the possibility, however, is enough to make one realize that it will not happen. No government will take the responsibility of throwing the country into a tailspin by making drastic cuts in its spending at a time when private investment is dropping. Of course, if the drop in investment were quite slow and quite moderate, and if it were being offset by a rise in other kinds of spending, such as consumer spending, the government might believe that it could safely cut defense spending if it accompanied the cut by reductions in taxes.

Possible Offsets

If investment spending drops, can other types of spending be raised to offset the drop? Let us assume that the volume of gross private investment falls within the next several years by 15 per cent, or about \$7.5 billion a year. What types of spending could be increased to offset the drop in private investment?

Expenditures by states and localities for goods and services have been increasing steadily since the end of the war and before, rising from \$10 billion in 1946 to \$23.3 billion in 1952. These expenditures are still slightly smaller in relation to the national product than in 1929—6.7 per cent in 1952 and 6.9 per cent in 1929. A considerable backlog of needed public works grew up during the war when public construction was limited. Also, the need for public works has been greatly increased by the growth in the number of children, the movement of population to the suburbs, regional shifts in population, and the great increase in the number of automobiles.

Much of the backlog of need has not been met and several years at least will be required to meet it. The rise in outlays for state and local public works may well be in excess of a billion dollars a year.

A great opportunity to increase

(Continued on page 43)



Industrial Developments

... in the Chicago Area

INVESTMENTS in industrial plants in the Chicago area totaled \$6,612,000 in March compared with \$11,052,000 in March, 1952. The total investments for the first three months of 1953 amounted to \$44,960,000 compared with \$39,822,000 in the same period of 1952. These figures include expenditures for the construction of new industrial plants, expansion of existing buildings, and the acquisition of land and buildings for industrial purposes.

• **International Rolling Mill Products Corporation**, 5000 S. Whipple street, will build a pipe mill on a 160 acre site at the corner of Cottage Grove avenue and 142nd street, Dolton.

• **Advance Transformer Company**, 1122 W. Catalpa avenue, is constructing a plant containing approximately 110,000 square feet of floor area at 2930-56 N. Western avenue. Dubin and Dubin, architects.

• **American Phenolic Corporation**, 6255 S. Harlem avenue, will add 90,000 square feet of floor area to its plant. Ragner Benson, Inc., general contractor.

• **Cruver Manufacturing Company**, 2456 W. Jackson boulevard, manufacturer of plastic products, is constructing a plant in Franklin Park on a five acre site recently purchased. Olsen and Urbain, architect; Sherman Olson, Inc., general contractor.

• **Champion Rivet Company**, Cleveland, Ohio, is making a 30,000 square foot addition to its plant in East Chicago.

• **Peirce Wire Recorder Corporation**, manufacturer of office dicta-

tion equipment, has purchased a one-story plant at 5900 Northwest highway. Winston and Company, broker.

• **Central Can Company**, 2417 W. 19th street, will construct a plant at 3150 S. Kilbourn avenue.

• **Autogas Company**, 2153 W. Fullerton, manufacturer of gas appliances, is erecting a plant and office building in Bellwood which will contain 40,000 square feet of floor area.

• **Grabler Manufacturing Company**, Cleveland, Ohio, manufacturer of pipe fittings and valves, has purchased 40,000 square feet of land at 21st street on Kilbourn avenue. The company will construct a warehouse on the property. Bennett and Kahnweiler, brokers.

• **H. S. Martin Company**, which operates two plants in Evanston for the manufacture of scientific instruments, has purchased a factory at 2025 Dempster street in Evanston, which it will operate as an additional facility. The building contains 12,000 square feet of floor area.

• **H. Greenberg and Son**, 307 W. Van Buren street, manufacturer of draperies, has purchased the 25,000 square foot building at 5218 S. Wentworth avenue. Bennett and Kahnweiler, brokers.

• **Ellicott Company**, 20 N. Wacker Drive, manufacturer of power plant equipment, is building a 10,000 square foot plant at 6100 N. Pulaski road.

• **Illinois Shade Cloth Corporation**, Chicago Heights, is erecting an addition to its plant which will con-

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tain approximately 15,000 square feet of floor area.

• **Wire Cloth Products, Inc.**, 332 S. Michigan avenue, is constructing a factory and office building adjacent to the Congress Street Expressway in Bellwood. Engineering Systems, Inc., engineers.

• **Chicago Cutting Die Company**, 2333 Nelson street, is constructing a 7,000 square foot addition to its plant.

• **Weber Manufacturing Company**, 4601 W. 47th street, manufacturer of hardware, is building an addition to its plant.

Budget Revision

(Continued from page 15)

mean with respect to taxes is an indication of when reduction can be expected. Senator Frank Carlson of Kansas, a legislator close to the President, recently advocated cutting back the current year's spending to \$66.1 billion. But with some \$48.5 billion spent in the first two-thirds of the year, it seemed highly unrealistic to expect \$8.5 billion to be cut from the remaining \$26.1 billion to achieve this goal — and at a time when the budget parers were up to their necks on next year's expenditures, a more profitable target. Unless cuts of this magnitude can be made in expenditures, however, overall tax reduction is at least two years off.

Many domestic considerations besides taxes depend on the size of the budget revision, including such policies as farm supports and subsidies, reclamation and irrigation projects for the West, road and airport building, even postal rates and services. But it is in the fields of American diplomacy and of national defense, which impinges both on the domestic economy and on foreign policy, that the big decisions still await the final budget figures which Dodge carries across the street from his office to the White House.

How fast will the new budget permit us to build up our air power to the desired goal of 143 air groups? How much stockpiling of critical materials can we afford? After the \$30 billion or so that we have spent rebuilding Europe since the war, can we afford to continue backing the North American Treaty Organization, betting our tax money that the subsidiary European Defense Community plan will finally pay off in security for the western world by bringing German manpower and production into the picture? Will it cost us more, or less, to "disengage"

American ground troops in Korea and train native Asiatic forces to carry on?

The budget will give clues to the answers, but the truth is that the pressing nature of the questions will have its impact on the answers too. It operates both ways. Budget-cutting is not, of course, a simple mathematical proposition but a weighing of the responsibilities of world leadership against the new administration's judgment of our economic capabilities. The areas where the budget knife cuts least deeply will reflect the importance attached to them by our new national executive management.

Korea Not Budgeted

For example, Korea. It came as something of a shock to incoming officials when they discovered that the last administration never budgeted Korea's fighting expenses on a long-term basis. Under a policy of fighting a stalemate war, there was no provision for the kind of buildup necessary to bring it to a conclusion.

Since the Eisenhower strategy calls for increasing pressure enough to make continuance unprofitable for the Communists, costs may go up rather than down. Replacing of American troops with Koreans will not mean a net saving because the United States already has discovered, in the process of expanding Korean forces from 10 to 14 divisions, that the Korean civilian economy sags in proportion to the manpower and productivity taken out of it. And of course Uncle Sam has to take care of the sag.

Pending the major decisions tied up in reviewing the budget, the new administration has made a small start in small economies. Dodge, in the only statement he has made since

assuming office, ordered department heads not to hire new personnel to replace those departing. With wage and most price controls ended and production controls dwindling, the affected agencies are serving their employes with dismissal notices. NPA expects to drop 600 field employes and 2,500 Washington employes by June 30.

However, that will still leave some 11,100 in the Washington office. At the State Department, orders have gone out to cut cable tolls, both incoming and outgoing, by 25 per cent. And not a moment too early, for telegraphic communication with embassies abroad has become a \$2.5 million annual charge on the taxpayer! Before the war, the whole State Department cost only about \$12 million a year.

Areas Unaffected

There are, however, fields in which budget revision has not held up administrative action. One of these is government finance. The Federal Reserve Board's recent action increasing the rediscount rate was an anti-inflationary step which shows the Republican intention to invoke one of the classic instruments of controlling money supply as a substitute for the artificial method of trying to keep a ceiling on prices.

Another subject on which President Eisenhower has given Congress the go-ahead without having to wait for budget revision is that of labor relations. Revision of the Taft-Hartley law is in the cards for this Congress.

The President has left the scope of the amendments to Congress, and therefore Senator Taft's proposed set of changes is likely to form the basis of the new bill. Taft has always been willing to consider amendments deemed necessary to correct inequities shown by experience with administering the law. Here is what he says about amendment:

"We quite realized in 1947 that no law of this length, dealing with such diverse and complicated matters, could possibly be letter perfect. In 1949, the Senate passed some 28 amendments intended to meet the objections, alleged and legitimate, brought up by labor union officials and others. They were passed by the Senate but suppressed in the House by the Democratic administration

and the labor unions on the ground that they must have repeal or nothing."

Noting that this opposition weakened by 1952 and resulted in passage of one of the 1947 amendments, which abolished the necessity for an election on union shop agreements, Taft proposes the following additional changes now:

Extension of the non-Communist affidavit to representatives of employers if they wish to avail themselves of the provisions of the act.

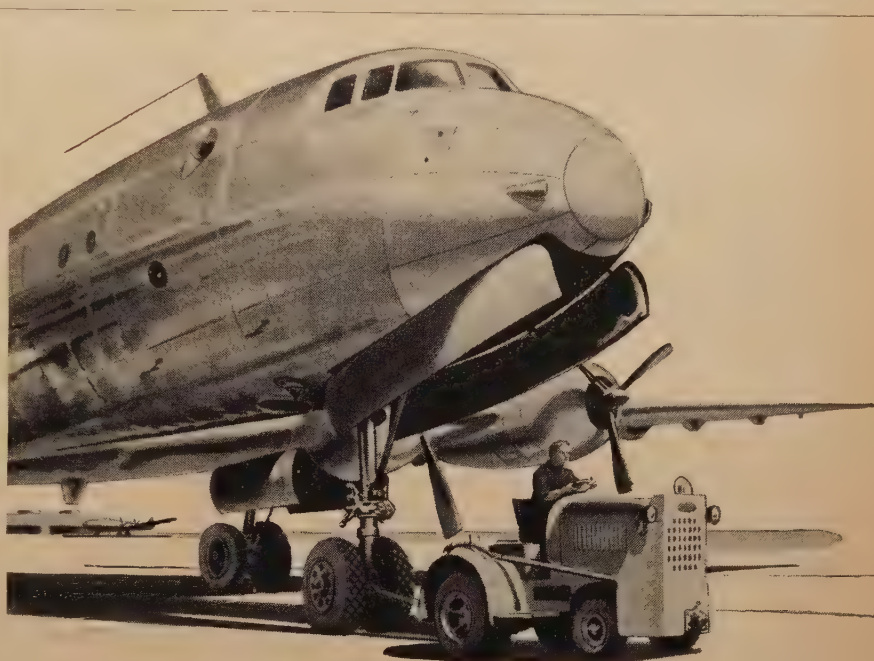
Revision of the secondary boycott

provisions, both to cure some proved inequities and to close some demonstrated loopholes.

Removal of the prohibition against voting by strikers who have been replaced, leaving the question of eligibility to the National Labor Relations Board.

Revamping the relationship between the NLRB and its general counsel. The Chamber of Commerce of the United States, incidentally, is proposing a complete overhauling of the NLRB.

Amendments to expedite case han-



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dling by the NLRB through removal of the prohibition against pre-hearing elections and hearing officers' recommendations.

Redefinition of the term "foreman" to make sure that only those who are truly part of management are excluded from bargaining.

Removal of the penalty against individuals who strike during the 60-day waiting period, but retaining the penalties against unions and employers.

Rewriting the welfare funds provision so as to provide proper supervision by the Labor Department.

Congress has kept itself busy with hearings on non-budgetary problems like Taft-Hartley, tidelands oil, and standby wage and price controls. Once the first Eisenhower budget is ready, it will get rolling on other legislation which will reveal in clearer detail the economic goals and policies of the new administration.

Those Test-Tube "Miracle Fibers"

(Continued from page 24)

thetics representing 65 per cent of the total. In 1946, the department adds, three million summer suits were manufactured, and all but 80,000 were wool worsted. The non-wools, mainly rayon, were 2.6 per cent of the total.

Obviously, the major advantages of the new synthetics — wrinkle resistance and low moisture absorption — have their greatest value in the summer suit. The businessman who must visit customers on a sweltering July day is assured of neatly-pressed trouser legs if his suit is made of

Dacron or Orlon; not if it is wool. At least this is true generally. On the other hand, there are retailers who insist that an \$80 or \$90 wool worsted summer suit, blended with mohair, will give equally good service.

As far as the rest of the clothing market is concerned — year-round suits, topcoats, overcoats, shirts and sweaters — there seems to be less optimism regarding the new fibers among retailers. One reason is that a heavier suit or coat just doesn't wrinkle as much as a summer suit.

Furthermore, many retailers seem less enthusiastic about other alleged advantages of the new synthetics — warmth, drapability, and superior texture, to mention a few.

Also, there's another side to the moisture claims. Like suits made of the new synthetics, dress shirts of the same materials will not absorb moisture, including perspiration. Thus, a man wearing a Dacron dress shirt on a warm summer day might suffer more than in one made of cotton, which is highly absorbent.

The non-porosity of the new synthetics applies to dye as well as to other types of moisture. One of the problems in the development of Dacron, Orlon, and their stablemates has been this question of how to impregnate the fiber with color.

While the synthetic manufacturers have been studying these and other problems, the natural fiber producers haven't been allowing the grass to grow underfoot. A host of new treatments for wool and cotton have been developed. For example, "cravanetting," a process which involves applying a chemical finish to wool and shrinking the fiber to reduce the moisture it absorbs.

"Erifon," developed by duPont, reportedly makes natural fibers permanently flameproof, a quality which the synthetics possess to varying degrees. "Melamine," a heat-set thermoplastic, has been applied to cotton goods by Dan River Mills. The treatment is designed to make cotton goods springy, longer wearing, and highly tear-resistant.

On a broader scale, the wool growers and manufacturers are sponsoring a four-year program involving the study of the basic physical and chemical properties of wool and its mill processing characteristics. Combining the new fibers with natural ones opens the way to putting all the good qualities of each in a garment. But much research remains to be done. Most of the consumer reaction studies to date have been obtained with clothing made of 100 per cent synthetic or natural fibers.

Meanwhile, retailers are "waiting and watching," as one of them puts it. He added, "We'll give the customer a synthetic suit if he asks for one and we can get it, and we want to be sure he wants it first."

One thing is sure. Mr. Guinness' fabric, the one that wouldn't wear out, is still a long way off.

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Transportation and Traffic



THE petition of the Railway Express Agency, Inc., for increases in express rates and charges has been docketed by the Interstate Commerce Commission as Ex Parte No. 185, Increased Express Rates and Charges, 1953. Hearings have been set for May 4, 1953 in the Congress Hotel, Chicago and May 18, 1953 in the commission's offices in Washington, D.C. The proceeding has been assigned to Commissioner Knudson for administrative handling and to Examiner Fuller for hearing. The agency's petition, filed January 30, 1953, proposes a new scale of first class 100-pound rates which will increase present rates from 5.09 per cent to 42.98 per cent. A new scale of package charges on shipments under 100 pounds will boost present charges from 4.72 per cent to 47.44 per cent. Second class rates will continue at 75 per cent of the first class rate. The petition also seeks a 25 per cent increase in commodity rates and accessorial charges, and a minimum charge of \$2.30 per shipment. The Chicago hearing will be primarily for the presentation of petitioner's evidence in chief, cross examination of its witnesses by protestants, and for the presentation of evidence by protestants who desire to be heard at that session. The Washington hearing will be primarily for the presentation of further evidence by protestants and rebuttal by petitioner. Persons who desire to be heard should so notify the commission not later than April 10, 1953, stating the number of witnesses, the approximate amount of time necessary for presentation of direct testimony, and whether they desire to be heard at Chicago or Washington.

• **Rails Will Continue Suspension of Pick-Up and Delivery Charges:** The Eastern railroads, on the request of the Interstate Commerce

Commission, have again agreed to postpone the application of pick-up and delivery charges in Official Territory for an additional 60 days beyond March 23, 1953. By tariffs filed to become effective June 23, 1952, the railroads in Official Territory proposed to cancel free pick-up and delivery service and in lieu thereof to establish charges ranging from 10 cents to 35 cents per 100 pounds for performing pick-up and delivery. By an order in I. & S. Docket 6013, Pick-up and Delivery Charges in Official Territory, the commission suspended the charges to and including January 22, 1953. In view of the inability of the commission to complete its investigation within the seven months suspension period the carriers last January voluntarily extended the suspension to March 23, 1953.

• **Postmaster General Files Amended Scale of 4th Class Rates:** Postmaster General Summerfield, on March 4, filed an amended scale of 4th class (parcel post) mail rates with the Interstate Commerce Commission. The amended scale is somewhat higher than the scale filed earlier under Docket No. 31074, Increased Parcel Post Rates, 1953, but is intended to cancel and abolish the pending 20-cent arbitrary on parcels which because of size, weight, form or nature of contents must be handled outside of mail sacks. Hearing in the proceeding is scheduled for April 14 in the commission's offices in Washington, D.C.

• **Rails To Ask I.C.C. To Make Ex Parte 175 Increases Permanent:** The railroads will petition the Interstate Commerce Commission to make permanent the increases in freight rates authorized last year in Ex Parte No. 175. This rate advance, which is 15 per cent with certain exceptions, has

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been considered as a surcharge and is presently scheduled to expire February 28, 1954.

• **I.C.C. Suspends Motor Class**
 Rate Adjustment to Southwest: By an order in I. & S. Docket M-4789, Class Rates Between Central and Southwest, the Interstate Commerce Commission suspended a proposed adjustment in motor carrier class rates applicable between key points in Central and Illinois Freight Association territories, on the one hand, and key points in Southwestern and Western Trunk Line territories, on the other. The suspended tariffs, published by the Middlewest Motor Freight Bureau to become effective March 18, 1953, would revise class rates between designated points to the railroad Docket No. 28300 basis, such rates to apply only on less truckload or any-quantity shipments rated Class 70 or higher in National Motor Freight Classification No. A-1. On all exception rated traffic, on less truckload and any-quantity shipments rated lower than Class 70 in N.M.F.C. No. A-1, and on all traffic moving from or to other than the specifically named key points, present rates would continue to apply. The National Industrial Traffic League and the Illinois Territory Industrial Traffic League were among those opposing the proposed adjustment.

• **Railroads and Air Lines Set**
 Safety Records: Outstanding safety records during 1952 were "chalked up" by both the nation's railroads and scheduled airlines. The Association of American Railroads reports that the railroads operated 34 billion passenger-miles during the year without a single passenger fatality resulting from train accidents. This is an all-time record of safety for railroad operation. There were 14 fatalities to railroad passengers during 1952 from all other causes, such as boarding and alighting from moving trains and jumping or falling from moving trains. Including these 14 fatalities the railroads had but one passenger fatality for each 2 billion 400 million miles traveled. The Air Transport Association of America has reported that the domestic scheduled airlines of the United States, on February 11, completed 12 full months of operation without a single passenger fatality.

During the 12 month period these airlines flew 13 billion 150 million revenue passenger miles. Scheduled airlines during that time averaged a landing or take-off every seven seconds, or about 13,000 a day, the A. T. A. of A. added.

• **I.C.C. Allows Motor Rate Adjustment**
 to South: The Interstate Commerce Commission allowed an adjustment in motor carrier rates, applicable between Central territory and the southeast, to become effective February 25. The rates, published in tariffs of Central and Southern Motor Freight Tariff Association, adjust motor carrier rates to the railroad Docket No. 28300 level. Most of the less truckload and any-quantity exception ratings have been cancelled and ratings in National Motor Freight Classification No. A-1 substituted in lieu thereof.

• **Railroad Employees Granted**
 Four Cents Hourly Wage Hike: A four cents an hour "productivity" wage increase, retroactive to December 1, 1952, has been granted 1.3 million railroad employees. The wage boost will cost the railroads about \$120 million annually. The award was granted by Paul Guthrie, economics professor at the University of North Carolina, who was appointed by former President Truman last December to arbitrate the dispute between the railroads and the 19 operating and non-operating unions.

• **Bill Introduced To Boost Size**
 and Weight Limits on Parcel Post: Representative Joel T. Broyhill of Virginia has introduced H.R. 2685, a bill to restore the 70 pound weight limit and 100 united inches size restriction on 4th class (parcel post) packages. These are the size and weight limitations which were in effect prior to January 1, 1952. At the present time the weight limit on parcels mailed between first class post offices is 40 pounds when destined to local, first or second zones and 20 pounds when destined to zones 3 to 8, inclusive. The maximum size for parcels mailed between first class post offices is 72 inches, length and girth combined. On parcels mailed between other than first class post offices the 70 pound weight limit and 100-inch size restriction still prevails. The bill has been referred to the

House Post Office and Civil Service Committee.

• **Hearing on \$1.50 Surcharge**

Adjourned to April 7: The nine-day Chicago hearing in I. & S. M-4462 and related cases dealing with the \$1.50 surcharge on motor carrier shipments of less than 5,000 pounds in Central Territory was concluded March 12. Further hearing will be held April 7, 1953, in the commission's offices in Washington, D.C., before Examiner Williams. Verified statements must be filed on or before April 2.

Here, There and Everywhere

(Continued from page 8)

was established last year when 8,346 acceptable ideas earned their originators \$144,057. During the year, 24,748 suggestions were submitted by 10,973 employees with one suggestion out of every three adopted.

• **Tempus Fugit**—Just 110 years ago the first life insurance policy was sold by an American company to a woman. Taking stock on the anniversary of this sale, Feb. 8, the Mutual Life Insurance Company toted up the changes time had wrought. Today the ladies own one-fifth of all life insurance in the United States. Last year alone, they bought \$5 billion worth.

• **Tax Task**—Stock and bond holders will have the Ides of March blues this year as they try to keep up with the 1,450 changes in capital structures made last year by American corporations. The net results of stock dividends, stock rights, split-ups, mergers, re-capitalizations, liquidations and exchanges of stocks and bonds must be accurately computed on income tax returns. Commerce Clearing House estimates that such changes mean eight million extra federal income tax computations for share holders.

Trends In Finance and Business

(Continued from page 11)

used. Which means that before the war there was a new car owner group in the neighborhood of eight million and a used car owner group of about 16 million.

However, in the post-war years when new cars have been in short

supply, the ratio has changed. General Motors now figures that out of an ownership of 38 million cars today, ownership is comprised of 16 million new car owners and about 22 million used car owners. Thus, the new ratio is about 44 per cent new and 56 per cent used.

"We feel," declares Mr. Hufstader, "as a result of a careful analysis of these studies, that the new car owner group, if it stays in the area of 17 or 18 million, will provide a market,

together with the purchasing power and population that is existent in this country, to support (sales) somewhere in the area between five and six million new cars each year . . . (and) . . . by 1961, barring any unforeseen circumstances such as a full-scale war, that this one-third — two-thirds relationship will again make itself felt and that we will have a used car owner group somewhere in the area of 35 million used car owners."

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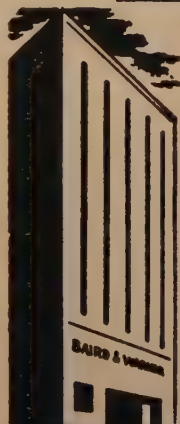
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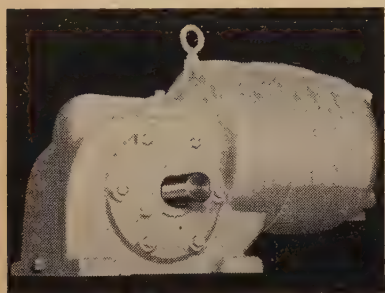
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Push-Button Temperature

A double-duty thermostat especially designed to meet the rapidly expanding market for all-year air conditioning units has been introduced by the Minneapolis-Honeywell Regulator Company. The new thermostat is said to enable the home owner, by simply flicking built-in switches, to automatically control either the heating or the cooling systems. It can be applied to regulate the operation of any all-year air conditioning unit, according to the company.

Ring Renewer

Pepgo Chemical Products Company, 117 Arch St., Philadelphia 6, Pa., has introduced a tubed compound, called "Pepgo Ringseal," that the company says will seal worn engine rings, pistons and cylinders when inserted into spark plug openings. A tube sells for \$4.45 and is said to be sufficient for most six and eight cylinder engines. Larger engines require two tubes.

Lawn Mower Wheel

A new lawn mower wheel which utilizes a rubber-plastic blend called "Kralastic" (made by U. S. Rubber) has been introduced by the Newark Stove Company, Newark, Ohio. The wheel, in addition to being strong, is described as weighing only half as

much as aluminum and can be produced at half the cost of a cast aluminum wheel.

Unique Golf Set

A golf set with a single shaft on which a different head is mounted for each shot is being introduced by Good Golf Sales, 219 West Chicago Avenue, Chicago, Ill. The sets come with five, seven or eight irons and two woods, with the heads being carried in a carrying case which attaches to the player's belt.

Quick Demoth

"Instant Demoth" is the name given a new product which is said to mothproof fabrics in the same operation with home washing. The manufacturer, Lewal Industries, Inc., 114 E. 32nd St., New York, N. Y., says the product will completely protect treated fabrics for more than a year, eliminates the need for mothballs or sprays, and also eliminates any odors connected with fabric storage.

Bigger Calculator

A new five-column Comptometer adding-calculating machine with six answer dials and a capacity of 999,999 has been introduced by Felt and Tarrant Manufacturing Company, 1735 N. Paulina St., Chicago 22. The unit weighs only 13 pounds, comes with a plastic case and is priced at \$280.

Versatile Flashlight

Flashlight bulbs which, at the flip of a switch, throw either a flood or spot of light, have been introduced by General Electric's Lamp Division, Cleveland, Ohio. Like auto headlamps, the new flashlight bulbs contain two filaments, each of which may be turned on independently. One filament in the form of a single loop of tungsten wire, produces a broad flood of light for nearby seeing, while the other filament, a concentrated coil, throws a narrow beam of light for seeing objects at a greater distance.

Chicago Fights Slums

(Continued from page 14)

fact that each of the 23 illegal apartments brings in from \$10 to \$25 per week.

Using existing city regulations, SECC means to see to it that the owners get slapped with a \$200 fine per day per violation. Each apartment is said to have had numerous violations.

It is Levi's hope that when property owners know that SECC can and will uphold existing standards, the enforcement problem will abate.

But there is a lot more to neighborhood conservation than enforcing building, health and zoning laws. These neighborhoods have other equally pressing problems, like overcrowded schools.

SECC and the Hyde Park-Kenwood Community Conference have tackled that too. Early this year they made a presentation before the Board of Education demonstrating—with census bureau statistics—that a proposed school would be inadequate before it was built. As a result, instead of a \$300,000 eight room school at 54th and Kenwood, the area will get a \$600,000 appropriation.

Other Activities

Many other activities that spell community conservation have been undertaken by the HP-K Conference. By organizing 112 blocks into hard-working block groups, they have turned vacant lots into playgrounds, improved their own street lighting, prevented illegal conversions, improved street appearance, had sidewalks repaired, additional traffic signs installed and have completed a host of additional beneficial measures.

Citizen action in Chicago has not been limited to these newly certified areas. On the Near North Side there is the Lincoln Park Community Council, which has opened a workshop on human relations; the Old Town Triangle Association has established the Menomonee Boys Club; the North Side Lake View Citizens Council has dramatically prevented the reopening of a tavern hang-out for dope peddlers, has kept out undesirable businesses and improved play and housing conditions.

The city, with its new conservation and slum prevention program will augment these auspicious beginnings made by aroused citizens. Here are the forces Coordinator Downs' office will bring into play once a neighborhood has been certified for conservation.

1. A planning analysis will be made of land use, zoning and community facilities, traffic and population.

2. A tentative neighborhood plan will be developed with a time-table for each step.

3. The Building Department will survey housing violations, environmental nuisances, zoning violations and put teeth in its enforcement program.

4. Community services such as street cleaning, garbage collection and weed control will be analyzed. (Second class neighborhoods tend to get second class services from the city.)

5. The commission will stimulate cooperation with neighborhood organizations on such matters as:

- creating a tentative plan
- necessary action by individual property owners
- voluntary maintenance of minimum standards
- elimination of blight pockets and specific eyesores, including demolition of individual buildings
- traffic and parking plans.

6. Problems of financing minor repairs, major alterations and new construction will be tackled.

7. Development of a publicity and public relations program, including preparation of a handbook on conservation and summaries of ordinances.

Under this plan, the responsibility for getting action from city departments and public agencies will rest with Downs' office and with neighborhood groups.

To implement the city's new program a special Emergency Building and Neighborhood Conservation Court has been set up to hear violation cases from certified areas.

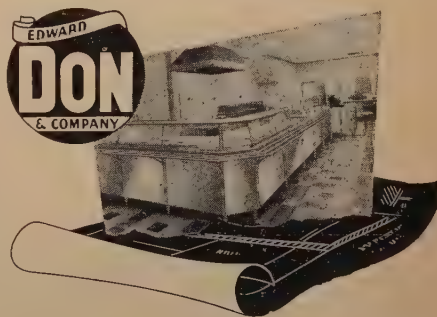
For the first time, Chicago is providing a link between neighborhood programs and city-wide planning. How important this can be is evi-

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dent from the fact that citizen groups are virtually helpless to deal with traffic problems. Only the city can concentrate through traffic on major arteries thus eliminating it from local streets. And, the city can do it only as part of an overall program of street and highway development.

Nothing is more important to neighborhood conservation than sound zoning ordinances, properly enforced. A new zoning ordinance is now being written by the City Council committee and should do much to help the conservation program.

Importance of Good Zoning

A good example of how new zoning can help an area lies in the plans of the SECC to get certain single-family residential streets zoned for three flats. The immense three-story, 25 room homes on some fine old residential streets are "white elephants" in today's housing market. What family can afford the taxes, domestic staff and upkeep on such an establishment? Instead of letting these homes lie empty or be illegally converted into rooming houses, the SECC wants to see them rebuilt into properly remodeled three flats.

An SECC committee headed by Newton Farr, chairman of the Chicago Real Estate Boards housing committee, is now organizing a syn-

dicate to redevelop these properties, once the homes of Chicago's leading citizens.

Right now city officials and the community groups are searching for answers to a host of questions about conservation and slum prevention. Campaigns in other cities have failed, largely, because the methods used were too weak.

Chicago's non-profit citizens' organization, the Metropolitan Housing and Planning Council, is now working on a conservation plan. The Council, under the leadership of Realtor Ferd Kramer, launched an extensive research study in September and is preparing its recommendations now.

One unanswered question the Council has pondered is the extent to which a governmental agency can go in telling an owner how to run his property.

Another poser: How do you finance conservation, privately or with public subsidy?

Quite obviously, the city must pay for conservation measures that call for park additions, new school facilities, improvements of traffic and street patterns and the like. But who pays for demolishing an eyesore building that blights an otherwise sound residential block—the property owner, the city or a private conservation corporation?

The answers will not come overnight, but the encouraging sign for Chicago's future is that they are be-

ing posed with action, not just research, in mind.

Until recently, Chicago has failed in conserving its older communities. Grim witnesses to this fact are its many miles of distressing slums, which are now the object of a costly multi-billion dollar reclamation and redevelopment program by such agencies as the Chicago Land Clearance Commission, the Chicago Dwellings Association, Chicago Housing Authority and a host of city agencies.

Causes of Failure

Coordinator Downs lays past failures to four reasons:

1. The city lacked a definite conservation program which would bring enforcement and planning.

2. Neither private nor public forces understood that conservation is slum prevention and not merely maintenance of minimum standards or rehabilitation of individual structures in slums and blighted areas,

3. For many years there was lack of strong community organization and lack of continuity of interest on the part of property owners and tenants, businessmen, institutions and the press,

4. Everyone in public and private ranks alike, became disappointed when miracles did not occur overnight.

The new program recognizes that the price of conservation is eternal vigilance. Conservation cannot be a one or two-year spurt of activity, for then it will merely detain the march of blight. No matter what measures the city takes to place heavy penalties on overcrowding and to prevent the creation of new sub-standard units, constant vigil by private citizens against "sneak" conversions and other violations still is required.

While the presently under-manned building department is to be strengthened, inspectors cannot be everywhere.

But citizen organizations also have to deal with another and very difficult problem. When a non-white moves into a block, it has become customary for certain types of agents to get busy soliciting the sale of adjacent properties.

Very recently a realtor rang the bell of a house in a block that had a new Negro tenant. He asked if he could list the property for sale. In-



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stead of the expected assent, he got an informational lecture on how the community was trying to prevent panic and flight and live with its new neighbors. It so happened that the woman he solicited was a block leader for the Hyde Park Community Conference.

The chastened man presented himself at the Conference office to apologize and to secure additional data on the neighborhood's program.

The movement of non-whites into previously all white neighborhoods is one of the most difficult and controversial phases of conservation. According to city estimates, Negroes are moving into white areas at the rate of one square block every ten days.

SECC's Levi explains his organization's attitude as one of selectivity. If a Negro moves into a fine old home or apartment on a choice street, he is welcome as long as he maintains single family residence and as long as he maintains the property and conducts himself at the accepted community level. SECC has an interracial board.

Conservation Vs. Rent Control

In March the Metropolitan Housing and Planning Council abandoned its former support of rent controls because "it is impossible to be for conservation and also for rent control."

The Council, in recommending the demise of controls April 30, places blame for the decline of good residential areas on the fact that landlords have not been able to afford proper maintenance. Controls also stimulate illegal conversions and discourage construction of new rental property, the Council said.

If controls are allowed to expire, it is expected to strengthen the con-

servation program's efforts to get voluntary cooperation from landlords on property improvements and maintenance.

With an effective conservation program, housing experts believe Chicago's present middle aged neighborhoods can have a useful life expectancy of from 20 to 25 additional years. Some may be preserved indefinitely if conservation is coupled with rebuilding and extensive new investment. But this will take restoration of public faith in these areas as a good place in which to live and rear families.

The lack of faith and surrender that has brought Chicago's "flight to the suburbs" may yet be checked. Various estimates indicate that 400,000 people have moved from the city to its suburbs in the past ten years. Comparison of 1950 with 1940 census figures shows that the exodus came largely from conservation areas.

This abnormal turnover has been costly both to structures and to neighborhood stability.

The city has a heavy financial interest in stemming the flight of its citizens, and in restoring its middle aged sections. Deterioration is seriously affecting the taxable value of much property from which necessary city revenue is derived.

New legislation may have to be enacted by both the city and state. Bond issues may be required. As yet, only the tentative skeleton of a program has been worked out. But there is increasing conviction among even the most cynical that such a program is not only feasible but imperative.

As the new book, Tomorrow's Chicago, sponsored by the Metropolitan Housing and Planning Council, puts it: "Caring for a dwelling place is one man's job, whereas letting it go to pieces is everybody's business."

Slichter Looks Ahead

(Continued from page 32)

expenditures is given by toll roads. The demand for limited-access roads for the use of through traffic is great and little has been done to meet it. Enormous amounts have been spent on highways which were intended to be through highways. Unfortunately, access to these highways has not been restricted and local businesses

have been permitted to grow up along them. Consequently, the roads which were intended for through traffic have gradually been taken over by local traffic. Hence, the need for through-traffic roads to service our 54 million automobiles, trucks, and buses represents an important new investment opportunity. It is



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not a large enough investment opportunity to provide the increase in spending which will be needed to offset the drop in defense spending, but it is a sufficiently large investment opportunity to help.

The principal source of new expenditures to offset the drops in investment spending and in defense spending must be a rise in spending for consumer goods. There are two ways of increasing this spending. One way is to cut taxes as defense outlays are reduced. The other way is to induce individuals to spend a larger proportion of their incomes after taxes on consumer goods. During the year 1952, consumers spent 92 per cent of personal incomes after taxes for consumer goods. During the last quarter of 1952 they spent 91.3 per cent. In previous years of high employment, the proportion of personal incomes after taxes spent for consumer goods has been higher. In 1929, for example, 95.5 per cent, and in 1940, 95.1 per cent.

Past experience indicates that it is not unreasonable to expect around 95 per cent of personal incomes after taxes to be spent for consumer goods. Had this been the proportion of personal incomes after taxes spent for consumer goods in the last quarter of 1952, personal consumption expenditures would have been at the annual rate of \$229.9 billion instead of \$221.0 billion. In other words, it ought to be possible to offset a drop of around \$9 billion in defense spending by a higher rate of spending for consumer goods even if no drop in personal income taxes accompanies the cut in defense spending.

But how can a rise in the proportion of personal incomes after taxes spent for consumer goods be brought about? Some business men will promptly reply, "By more and better selling effort." I do not wish to disparage the desirability of more and better selling efforts, but I have the prejudices of a consumer. Hence, I am more interested in new and better quality goods at more attractive prices than I am in being bombarded by bigger and more pretentious advertisements and more urgent sales talks.

With any cut in defense spending offset by reductions in taxes, and with reductions in private investment offset by higher state and local expenditures and by a rise in the

proportion of personal incomes after taxes spent for consumer goods, it ought to be possible to maintain a high level of production and employment during the next several years.

Up to this point I have been making the optimistic assumption that the economy within the next two or three years will have to meet the problem of a drop in defense spending. It is a reasonable assumption, but, after all, it is only an assumption. It is possible that we shall have to meet a rise in defense expenditures. The technology of war is in a state of rapid flux. This tends to keep defense expenditures up. The trend of international relations is quite unpredictable. The assumption that a drop in defense spending is ahead, rests upon a second assumption, that international relations will not get worse. Certainly, no responsible policy maker can exclude the possibility that conditions will get worse.

Defense Spending

So the question arises, can we stand a substantial increase in defense spending without experiencing inflation or other bad effects? In order that we may have a more or less definite idea concerning the magnitudes involved, let us suppose that it is necessary to raise the rate of defense spending in two years' time from the present level of \$50 billion a year to \$70 billion. Such an increase would fall far short of the needs of a full-scale war, but it would imply a considerable activation of the so-called "cold" war. Then the question breaks down into several subsidiary questions:

1. Would an increase in defense spending force a lower standard of consumption? I pointed out that the country is able to increase its annual output at the rate of roughly \$12 or \$13 billion a year. If an increase of \$20 billion in defense spending were spread over two years, therefore, it might appear that the standard of consumption would not be impaired. This would not be quite true. The impairment might not be particularly serious, but it would exist. The reason is that the increase in defense spending would be more or less concentrated in the durable goods industries. It would create bottlenecks and more or less serious shortages of

various materials. Hence, the only way in which the country could continue to spend the same amount on consumption would be to alter its pattern of buying in directions that did not represent the first choices of buyers.

2. Would the country be able and willing to pay for substantially larger quantities of defense goods? Many people believe that the present tax burden of the country is so great that additional taxes would dangerously impair incentives to save, invest, and work. Whether or not \$20 billion a year could be raised by taxes in ways that would not be harmful is an academic question. Permit me, however, to make several academic observations. If Congress were willing to discard political considerations, even as much as an additional \$20 billion could be raised in ways that would not undermine the incentive to work either on the part of managers or of men in overalls. I am less certain about the effect on incentive to save or invest.

Two Sources

There are two reasons why this is so. One, there are large quantities of income in this country that are not taxed at all or that are taxed at fairly low rates. Second, the demand for income in terms of time and effort is a strong and stubborn demand. When more time and effort are required in order to earn a given income, experience shows that men put forth the additional time and effort. In other words, up to a fairly high price for income in terms of time and effort, the demand for income is what economists call an inelastic demand.

Whatever may be the theoretical possibilities of raising substantial additional amounts of revenue by taxes without harmful effects, I am sure that Congress would not be willing to impose the right kind of taxes. In fact, only grave developments abroad that created a feeling of emergency would induce Congress to make substantial additions to any taxes. Perhaps the developments which led to a substantial increase in defense spending might also create a sense of emergency. But the greater part of any large increase in defense spending would have to be met by borrowing. Hence, the problem would be one of devising government obliga-

tions which would be eagerly bought by real savers, thus avoiding government resort to the banks.

Creating a large additional non-bank market for government securities on short notice would be difficult in the extreme — probably impossible. We are talking about a possible rise in defense expenditures of \$10 billion a year. To finance these out of savings would require that virtually all of the normal annual increase in the national income go into government securities. Undoubtedly the rise in defense spending would be accompanied by a variety of material controls that would limit non-defense construction. Hence some funds that are now going into mortgages or being used in other ways to finance non-defense expenditures might become available for the purchase of government securities. The realistic view, however, is that an increase in defense expenditures by as much as \$10 billion a year would require a considerable amount of inflationary financing. I do not know the amount that could be financed by non-inflationary means, but I would expect it to be less than \$5 billion a year.

3. Would the larger defense expenditures produce serious inflation? I have already indicated that the government would probably be unable to finance \$20 billion additional defense expenditures a year without resort to inflationary methods of bor-

rowing. There would be other ways in which the country would be threatened with at least a moderate rise in prices. A large proportion of business enterprises are fairly well supplied with liquid assets. If managements anticipated material shortages, they would quickly attempt to build up inventories. This would produce the sort of inventory boom and price rises that occurred in the latter half of 1950 and the first quarter of 1951. Recollections of the subsequent decline in most prices would be a moderating influence, but the government would undoubtedly have to take steps to control the accumulation of inventories.

Repercussion On Wages

Finally, the large increase in defense expenditures would stimulate unions to make wage demands. Even during the last two years while the wholesale price level has been drifting slowly downward, wages, as measured by straight-time hourly earnings, have increased considerably faster than output per manhour—in fact, more than twice as fast, if the rise in output per manhour is 2.5 per cent a year. In the long run the price level must be adjusted to labor costs. Hence a slow rise in labor costs means a slow rise in the price level. Unless employers are able to improve their bargaining power relative to labor, labor costs will continue to rise and

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Busy Jaycees are making life easier for disabled citizens throughout the nation.

THE young man pictured above is 29-year-old Armond Hutchens of East Alton, Ill., a former paratrooper who is partially disabled as a result of an injury suffered when his parachute fouled with another paratrooper's over enemy lines in Korea in March, 1951. Young Hutchens is getting around quite rapidly these days, thanks to the fact that his wheel chair has been mechanized with a motor unit built from plans devised by Popular Mechanics Magazine.

The U. S. Junior Chamber of Commerce has adopted the building of such motor units to mechanize wheel chairs as a project of its public health committee for this year, and in co-operation with the magazine, which will provide plans free, some 2,000 Jaycee chapters will begin mechanizing wheel chairs for disabled persons in communities throughout the country.

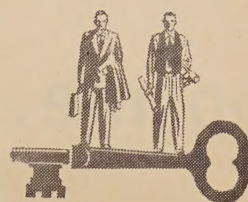
It is estimated that the cost of

building a complete wheel-chair motor unit will come to about \$125, provided all items are bought at retail prices. However, much of the needed material can be found in any garage. The motor, a surplus type used on a bomber's gun turret, costs from \$12 to \$15.

When fitted with the motor unit, a wheel chair becomes entirely push-button controlled — steering, brakes, forward and reverse — and also is provided with mechanical steering for use where practical. A pull on two convenient knobs enables the operator to disconnect the drive unit and roll the chair away. Reversing this procedure by backing the chair into the unit and pushing on the knobs couples the drive unit to the chair. These features are said to make it possible for almost any patient to travel at will.

The two-horsepower electric motor is powered with a six-volt storage battery. A 110-ampere battery will operate continuously for approximately two hours without recharging and will power the mechanized unit intermittently for a somewhat longer period.

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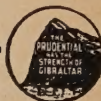


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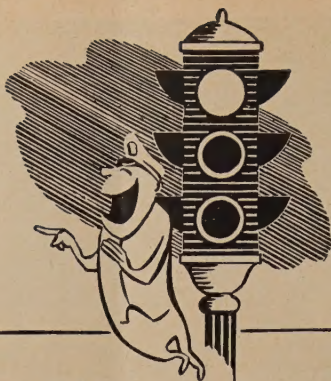
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A kind hearted old lady with strict ideas about strong drink was accosted for a hand-out by a very shabby character. The lady hesitated, sniffing, but he was such a pitiful object she opened her purse.

Handing him some money, she admonished, "Take this, but I hope you won't spend it for vile liquor."

The needy one scanned the frugal hand-out. "With what you gimme, ma'am," he answered sadly, "I can't get no other kind."

The important man was about ready for his speech when a news photographer was observed jockeying for a vantage point, for an action shot. The chairman, fearing that the speaker would be annoyed, called the photographer and said: "Don't take his picture while he is speaking. Shoot him before he starts."

Efficiency Expert: "Mr. Jones, what do you do here?"

Jones: "Nothing."

Efficiency Expert: "And, Mr. Martin, what do you do here?"

Martin: "Nothing."

Efficiency Expert: "Hmmm. Duplication."

A big-game hunter in Africa was on his way back to camp one night when an enormous lion walked out of the jungle not 20 feet away. As the lion was about to spring, the hunter fired his last cartridge and missed. The lion sprang too far and landed 15 feet beyond the hunter, who then ran for camp and made it safely.

The next day the hunter went back of the camp to practice a little shooting at close range. He heard a strange noise in the brush and investigated. It was the lion—practicing short leaps!

Sunday School Teacher: "And why did Noah take two of each kind of animal into the ark?"

Bright child: "Because he didn't believe the story about the stork."

Subtlety is the art of saying what you think and getting out of range before it is understood.

Four card sharps got together on a train. A tense-hard-fought game ensued. Suddenly the dealer tossed his cards down and said: "This game is crooked."

"What makes you think so?" asked the card sharp on his left.

"That guy," pointing to the player across the table, "is not playing the hand I dealt him."

Two rival authoresses met the other day. One had just had a new book published.

First: "Darling, I think it's a masterpiece. Who wrote it for you?"

Second: "I'm so glad you like it. Who read it to you?"

Teacher — "Your history exercise was bad and I told you to write it 20 times, and you've only done it 10 times."

Jack — "Yes, ma'am — my arithmetic is bad, too."

Two drunks were walking down the railroad track. Said one: "These are the longest stairs I ever saw."

The second said: "Yeah, but what gets me are these low handrails."

Polly: "I think long hair makes a man look intelligent."

Milly: "I saw a wife once pick a long hair off her husband's coat and he looked foolish."

"Can you see the rise in the drinking brother?"

"Oh, sure, now

Teacher, patiently: "If one and one makes two, and two and two makes four, how much does four and four make?"

Old-enough-to-vote hillbilly pupil: "That ain't fair, teacher. You answer the easy ones yourself and leave the hard one for me."

Mother — "Did you put your dime in the Sunday School collection?"

Junior — "No, I lost it."

Mother — "But this is the third Sunday in succession that you've lost it."

Junior — "I know it, but the other boys' luck can't last forever."

John: "Whisper those three little words that will make me walk on air."

Mary: "Go hang yourself."



"I think what I like best about you Judy, is the absence of brittle sophistication one finds in other girls."